

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 11, 2024

NEW ISSUE – Book-Entry Only

**Rating: “AA”
See “RATING” herein**

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Bonds (as herein defined) (i) is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the Federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See "TAX EXEMPTION" herein.

\$5,713,000

**SCHOOL BONDS, SERIES 2024
THE BOARD OF EDUCATION OF THE
BOROUGH OF POMPTON LAKES
IN THE COUNTY OF PASSAIC, NEW JERSEY
(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended)**

**CALLABLE
BANK-QUALIFIED**

Dated: Date of Delivery

Due: July 15, as shown on inside cover

The \$5,713,000 aggregate principal amount of School Bonds, Series 2024 (the "Bonds") of The Board of Education of the Borough of Pompton Lakes in the County of Passaic, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) are valid and legally binding general obligations of the Board, and unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the School District for the payment of the Bonds and the interest thereon without limitation as to rate or amount. Payment of the principal of and interest on the Bonds is also secured under the provisions of the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

The Bonds will be issued as fully registered bonds in book-entry only form (without certificates) in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, Brooklyn, New York ("DTC"). Individual purchases may be made in the principal amount of \$1,000 each or any integral multiple thereof with a minimum purchase of \$5,000 required, through book-entries made on the books and records of DTC and its participants. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds shall bear interest from their date of delivery, which interest shall be payable semi-annually on the fifteenth day of January and July in each year, commencing July 15, 2025, until maturity or prior redemption. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each immediately preceding January 1 and July 1 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are subject to redemption prior to their stated maturities as set forth herein. See "DESCRIPTION OF THE BONDS – Redemption" herein.

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the Board, and certain other conditions described herein. Certain legal matters will be passed upon for the Board by Adams, Lattiboudere, Croot & Herman, LLC, Iselin, New Jersey, General Counsel to the Board. Phoenix Advisors, LLC, Bordentown, New Jersey, served as Municipal Advisor in connection with the Bonds. Delivery of the Bonds in definitive form to DTC in Jersey City, New Jersey, is anticipated to occur on or about July 16, 2024.

ELECTRONIC SUBMISSIONS FOR THE BONDS, IN ACCORDANCE WITH THE FULL NOTICE OF SALE, MUST BE MADE VIA PARITY PRIOR TO 11:00 A.M. DAYLIGHT SAVING TIME ON JUNE 18, 2024. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE FULL NOTICE OF SALE POSTED AT WWW.MUNIHUB.COM.

This is a Preliminary Official Statement, complete with the exception of the specific information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission. The Board has authorized distribution of this Preliminary Official Statement to prospective purchasers and others. In accordance with Rule 15c2-12, this Preliminary Official Statement is deemed final. Upon the sale of the Bonds described herein, the Board will deliver a final Official Statement within the earlier of seven (7) business days following such sale or to accompany the purchaser's confirmations requesting payment for the Bonds.

\$5,713,000
THE BOARD OF EDUCATION OF THE
BOROUGH OF POMPTON LAKES
IN THE COUNTY OF PASSAIC, NEW JERSEY
SCHOOL BONDS, SERIES 2024

(New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended)
CALLABLE
BANK-QUALIFIED

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES,
YIELDS AND CUSIP NUMBERS

<u>Maturity</u> <u>(July 15)</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Yields</u>	<u>CUSIP</u> <u>Numbers*</u>
2025	\$203,000			732283__
2026	200,000			732283__
2027	205,000			732283__
2028	215,000			732283__
2029	225,000			732283__
2030	235,000			732283__
2031	240,000			732283__
2032	250,000			732283__
2033	260,000			732283__
2034	270,000			732283__
2035	285,000			732283__
2036	295,000			732283__
2037	305,000			732283__
2038	320,000			732283__
2039	335,000			732283__
2040	345,000			732283__
2041	360,000			732283__
2042	375,000			732283__
2043	390,000			732283__
2044	400,000			732283__

* A registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Board does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**THE BOARD OF EDUCATION OF THE
BOROUGH OF POMPTON LAKES
IN THE COUNTY OF PASSAIC, NEW JERSEY**

BOARD MEMBERS

President – Traci Cioppa
Vice President – Scott SanTERS

Colleen Dawson
Michael Fasouletos
Jared Luciani
Ann Marie Nadiroglu (Riverdale Representative)
Susan O'Malley
Carl P. Padula
Anthony J. Rodriguez
Dawn Zanetti

SUPERINTENDENT

Paul Amoroso

BUSINESS ADMINISTRATOR/BOARD SECRETARY

Angela Spasevski

BOARD ATTORNEY

Adams, Lattiboudere, Croot & Herman, LLC
Iselin, New Jersey

BOARD AUDITOR

Wielkocz & Company, LLC
Pompton Lakes, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

BOND COUNSEL

Wilentz, Goldman & Spitzer, P.A.
Woodbridge, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Board to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the Board. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

The information contained herein has been provided by the Board, DTC and other sources deemed reliable by the Board; however, such information is not guaranteed as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Board, as to information from sources other than itself. The Board has not confirmed the accuracy or completeness of information relating to DTC, which information has been provided by DTC.

This Official Statement is not to be construed as a contract or agreement among the Board, the Underwriter and the owners of any of the Bonds. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

References in this Official Statement to the Constitution of the State of New Jersey, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents or laws are qualified in their entirety by reference to the particular source, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Board during normal business hours.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

In order to facilitate the distribution of the Bonds, the Underwriter may engage in transactions intended to stabilize the price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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OFFICIAL STATEMENT

OF

THE BOARD OF EDUCATION OF THE BOROUGH OF POMPTON LAKES IN THE COUNTY OF PASSAIC, NEW JERSEY

\$5,713,000

SCHOOL BONDS, SERIES 2024

(NEW JERSEY SCHOOL BOND RESERVE ACT, 1980 N.J. Laws c. 72, as amended)

**CALLABLE
BANK-QUALIFIED**

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by The Board of Education of the Borough of Pompton Lakes in the County of Passaic, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the offering, sale and issuance of its \$5,713,000 aggregate principal amount of School Bonds, Series 2024 (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary and its distribution and use in connection with the offering and sale of the Bonds have been authorized by the Board.

This Official Statement contains specific information relating to the Bonds including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to this issue. This Official Statement should be read in its entirety.

All financial and other information presented herein has been provided by the Board from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and, but only to the extent specifically provided herein, certain projections into the immediate future, and is not necessarily indicative of future or continuing trends in the financial position of the Board.

DESCRIPTION OF THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds themselves for the complete text thereof, and the discussion herein is qualified in its entirety by such reference.

Terms and Interest Payment Dates

The Bonds shall be dated their date of delivery and shall mature on July 15 in each of the years and in the amounts set forth on the inside cover page hereof. The Bonds shall bear interest from their date of delivery which interest shall be payable semi-annually on the fifteenth day of January and July (each an "Interest Payment Date"), commencing on July 15, 2025, in each of the years and at the interest rates set forth on the inside cover page hereof until maturity or prior redemption by check mailed by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each January 1 and July 1 immediately preceding the respective Interest Payment Date (the "Record Dates"). So long as The Depository Trust Company, Brooklyn, New York ("DTC"), or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC participants, which will in turn remit such payments to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds will be issued in fully registered book-entry only form, without certificates. One certificate shall be issued for the aggregate principal amount of the Bonds maturing in each year, and when issued, will be registered in the name of and held by Cede & Co., as nominee of DTC. DTC will act as Securities Depository for the Bonds (the "Securities Depository"). The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$1,000 each, or any integral multiple thereof with a minimum purchase of \$5,000 required, through book-entries made on the books and records of DTC and its participants. Individual purchasers of the Bonds will not receive certificates representing their beneficial ownership interests in the Bonds, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased. See "BOOK-ENTRY ONLY SYSTEM" herein.

Redemption

The Bonds of this issue maturing prior to July 15, 2032 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after July 15, 2032 are redeemable at the option of the Board in whole or in part on any date on or after July 15, 2031 upon notice as required herein at one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

Notice of Redemption

Notice of redemption ("Notice of Redemption") shall be given by mailing such notice at least thirty (30) days but not more than sixty (60) days before the date fixed for redemption by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Board or a duly appointed Bond Registrar. So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notice of Redemption shall be sent to such Securities Depository and shall not be sent to the beneficial owners of the Bonds. Any failure of the Securities Depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Board determines to redeem a portion of the Bonds prior to maturity, such Bonds shall be selected by the Board; the Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

If Notice of Redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Bonds after the date fixed for redemption.

Security for the Bonds

The Bonds are valid and legally binding general obligations of the Board, and the Board has irrevocably pledged its full faith and credit for the payment of the principal of and interest on the Bonds. Unless paid from other sources, the principal of and interest on the Bonds are payable from *ad valorem* taxes levied upon all the taxable real property within the School District without limitation as to rate or amount. The Bonds are additionally secured by the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

School Bond Reserve Act (1980 N.J. Laws c. 72)

All school bonds are secured by the School Bond Reserve (the "School Bond Reserve") established in the Fund for the Support of Free Public Schools of the State of New Jersey (the "Fund") in accordance with the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 *et seq.* (P.L. 1980, c. 72, approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003 (the "Act")). The 2003 amendments to the Act provide that the Fund will be divided into two (2) School Bond Reserve accounts. All bonds issued

prior to July 1, 2003 shall be benefited by a School Bond Reserve account funded in an amount equal to one and one-half percent (1.5%) of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes (the "Old School Bond Reserve Account") and all bonds, including the Bonds, issued on or after July 1, 2003 shall be benefited by a School Bond Reserve account funded in an amount equal to one percent (1%) of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes (the "New School Bond Reserve Account"), provided such amounts do not exceed the moneys available in the Fund. If a municipality, county or school district is unable to make payment of principal of or interest on any of its bonds issued for school purposes, the trustees of the Fund will purchase such bonds at par value and will pay to the bondholders the interest due or to become due within the limits of funds available in the applicable School Bond Reserve account in accordance with the provisions of the Act.

The Act provides that the School Bond Reserve shall be composed entirely of direct obligations of the United States government or obligations guaranteed by the full faith and credit of the United States government. Securities representing at least one-third of the minimal market value to be held in the School Bond Reserve shall be due to mature within one year of issuance or purchase. Beginning with the fiscal year ending on June 30, 2003 and continuing on each June 30 thereafter, the State Treasurer shall calculate the amount necessary to fully fund the Old School Bond Reserve Account and the New School Bond Reserve Account as required pursuant to the Act. To the extent moneys are insufficient to maintain each account in the School Bond Reserve at the required levels, the State agrees that the Treasurer of the State of New Jersey (the "State") shall, no later than September 15 of the fiscal year following the June 30 calculation date, pay to the trustees for deposit in the School Bond Reserve such amounts as may be necessary to maintain the Old School Bond Reserve Account and the New School Bond Reserve Account at the levels required by the Act. No moneys may be borrowed from the Fund to provide liquidity to the State unless the Old School Bond Reserve Account and the New School Bond Reserve Account each are at the levels certified as full funding on the most recent June 30 calculation date. The amount of the School Bond Reserve in each account is pledged as security for the prompt payment to holders of bonds benefited by such account of the principal of and the interest on such bonds in the event of the inability of the issuer to make such payments. In the event the amounts in either the Old School Bond Reserve Account or the New School Bond Reserve Account fall below the amount required to make payments on bonds, the amounts in both accounts are available to make payments for bonds secured by the School Bond Reserve.

The Act further provides that the amount of any payment of interest or purchase price of school bonds paid pursuant to the Act shall be deducted from the appropriation or apportionment of State aid, other than certain State aid which may be otherwise restricted pursuant to law, payable to the school district, county or municipality and shall not obligate the State to make, nor entitle the school district, county or municipality to receive, any additional appropriation or apportionment. Any amount so deducted shall be applied by the State Treasurer to satisfy the obligation of the school district, county or municipality arising as a result of the payment of interest or purchase price of bonds pursuant to the Act.

Authorization and Purpose

The Bonds have been authorized and are issued pursuant to (i) Title 18A, Chapter 24 of the New Jersey Statutes, Chapter 271 of the Laws of 1967, as amended and supplemented, (ii) a proposal adopted by the Board pursuant to a resolution adopted on September 12, 2023, and approved by the affirmative vote of a majority of the legal voters present and voting at the special School District election held on December 12, 2023 and (iii) a resolution duly adopted by the Board on May 7, 2024 (the "Resolution").

BOOK-ENTRY ONLY SYSTEM*

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners (as such terms are defined or used herein), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC

* Source: The Depository Trust Company

Participants and Beneficial Owners, is based on certain information furnished by DTC to the Board. Accordingly, the Board does not make any representations concerning these matters.

DTC will act as Securities Depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, as set forth on the inside cover hereof, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit

has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Notices of Redemption shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds, unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Board or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Direct and Indirect Participant and not of DTC, nor its nominee, Paying Agent or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as Securities Depository with respect to the Bonds at any time by giving reasonable notice to the Board or Paying Agent. Under such circumstances, in the event that a successor Securities Depository is not obtained, Bond certificates are required to be printed and delivered.

The Paying Agent, upon direction of the Board, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.

Discontinuance of Book-Entry Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Board or its paying agent; (ii) the transfer of any Bonds may be registered on the books maintained by the registrar for such purposes only upon the surrender thereof to the Board or its paying agent together with the duly executed assignment in form satisfactory to the Board or its paying agent; and (iii) for every exchange or registration of transfer of Bonds, the Board or its paying agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Dates.

THE SCHOOL DISTRICT AND THE BOARD

The Board is a ten (10) member board with nine (9) members elected for staggered three (3) year terms and one (1) representative appointed annually from the Borough of Riverdale. The Superintendent is the chief administrative officer of the School District. The Business Administrator/Board Secretary is the chief financial officer of the School District and oversees the Board's business functions. The Business Administrator/Board Secretary reports to the Superintendent.

The School District is a Type II school district, the geographical boundaries of which are coterminous with the Borough of Pompton Lakes, in the County of Passaic, State of New Jersey (the "Borough") and provides a full range of educational services appropriate to grades pre-kindergarten (Pre-K) through twelve (12), including regular and special education programs. Students in grades nine (9) through twelve (12) from the Borough of Riverdale attend Pompton Lakes High School as part of a send/receive relationship. The School District operates two (2) elementary schools, one (1) middle school, and one (1) high school. See "APPENDIX A – Certain Economic and Demographic Information Relating to the School District and the Borough of Pompton Lakes, in the County of Passaic, State of New Jersey."

THE STATE'S ROLE IN PUBLIC EDUCATION

The Constitution of the State of New Jersey provides that the State shall provide for the maintenance and support of a thorough and efficient ("T&E") system of free public schools for the instruction of all children between the ages of 5 and 18 years. Case law has expanded the responsibility to include children between the ages of 3 and 21.

The responsibilities of the State with respect to the general supervision and control of public education have been delegated to the New Jersey Department of Education (the "Department"), which is a part of the executive branch of the State government and was created by the State Legislature. The Department is governed and guided by the policies set forth by the New Jersey State Board of Education (the "State Board"). The State Board is responsible for the general supervision and control of public education and is obligated to formulate plans and to make recommendations for the unified, continuous and efficient development of public education of all people of all ages within the State. To fulfill these responsibilities, the State Board has the power, *inter alia*, to adopt rules and regulations that have the effect of law and that are binding upon school districts, to acquire land and other property.

The Commissioner of Education (the "Commissioner") is the chief executive and administrative officer of the Department. The Commissioner is appointed by the Governor of the State with the advice and consent of the State Senate, and serves at the pleasure of the Governor during the Governor's term of office. The Commissioner is Secretary and Chief Executive Officer of the State Board and is responsible for the supervision of all school districts in the State and is obligated to enforce the rules and regulations of the State Board. The Commissioner has the authority to recommend the withholding of State financial aid and the Commissioner's consent is required for authorization to sell school bonds that exceed the debt limit of the municipality in which the school district is located and may also set the amount to be raised by taxation for a board of education if a school budget has not been approved by a board of school estimate or by the voters.

An Executive County Superintendent of Schools (the "County Superintendent") is appointed for each county in the State by the Governor, upon the recommendation of the Commissioner with the advice and consent of the State Senate. The County Superintendent is the local representative of the Commissioner. The County Superintendent is responsible for the daily supervision of the school districts in the county and is charged with the enforcement of rules pertaining to the certification of teachers, pupil registers and financial reports and the review of budgets. Under the Uniform Shared Services and Consolidation Act, P.L. 2007, c. 63, effective April 3, 2007, the role of the County Superintendent was changed to create the post of the Executive County Superintendent with expanded powers for the operation and management of school districts to, among other things, promote administrative and operational efficiencies, eliminate non-operating school districts and recommend a school district consolidation plan to eliminate districts through the establishment or enlargement of regional school districts, subject to voter approval.

STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY

Categories of School Districts

State school districts are characterized by the manner in which the board of education or the governing body takes office. School districts are principally classified in the following categories:

(1) Type I, in which the mayor or chief executive officer ("CEO") of a municipality appoints the members of a board of education and a board of school estimate. The board of school estimate consists of two (2) members of the board of education, two (2) members of the governing body of the municipality and the mayor or CEO of the municipality comprising the school district, and approves all fiscal matters;

(2) Type II, in which the registered voters within a school district elect the members of a board of education and either (a) the registered voters also vote upon all fiscal matters with the exception set forth in the new Budget Election Law (as hereinafter defined in "School Budgetary Process"), or (b) a board of school estimate, consisting of two (2) members of the governing body of and the CEO of each municipality within the school district and the president of and one member of the board of education, and approves all fiscal matters;

(3) Regional and consolidated school districts comprising the territorial boundaries of more than one municipality in which the registered voters within the school district elect members of the board of education and vote upon all fiscal matters with certain exceptions. Regional school districts may be "All Purpose Regional School Districts" or "Limited Purpose Regional School Districts";

(4) State-operated school districts created by the State Board, pursuant to State law, when a local board of education cannot or will not correct severe educational deficiencies;

(5) County vocational school districts have boards of education consisting of the County Superintendent and four (4) members unless it is a county of the first class, which adopted an ordinance, in which case it can have a board consisting of seven (7) appointed members which the board of county commissioners of the county appoints. Such vocational school districts shall also have a board of school estimate, consisting of two (2) members appointed by the board of education of the school district, two (2) members appointed by the board of county commissioners and a fifth member being the county executive or the director of the board of county commissioners of the county, which approves all fiscal matters; and

(6) County special services school districts have boards of education consisting of the County Superintendent and six (6) persons appointed by the board of county commissioners of the county. Such special services school districts shall also have a board of school estimate, consisting of two (2) members appointed by the board of education of the school, two (2) members appointed by the board of county commissioners and a fifth member being the commissioner-director of the board of county commissioners, which approves all fiscal matters.

There is a procedure whereby a Type I school district or a Type II school district may change from one type to the other after an approving public referendum. Such a public referendum must be held whenever directed by the municipal governing body or board of education in a Type I district, or the board of education in a Type II district, or when petitioned for by fifteen percent (15%) of the voters of any school district. The School District is a Type II school district with a board of school estimate.

School Budgetary Process (N.J.S.A. 18A:22-1 et seq.)

In a Type I school district and a Type II school district with a board of school estimate, a separate body from the school district, known as the board of school estimate, examines the budget requests and fixes the appropriation amounts for the next year's operating budget at or after a public hearing. This board, whose composition is fixed by statute, certifies the budget to the municipal governing body or board of

education. If the board of education disagrees with the certified budget of the board of school estimate, then it can appeal to the Commissioner to request changes.

In a Type II school district, the elected board of education develops the budget proposal and, at or after a public hearing, submits it for voter approval unless the Board has moved its annual election to November, as discussed below. Debt service provisions are not subject to public referendum. If approved, the budget goes into effect. If defeated, the governing bodies of the constituent municipalities must develop the school budget by May 19 of each year. Should the governing bodies be unable to do so, the Commissioner establishes the local school budget.

The Budget Election Law, P.L. 2011, c. 202, effective January 17, 2012 (the "Budget Election Law") establishes procedures that allow the date of the annual school election of a Type II school district, without a board of school estimate, to be moved from April to the first Tuesday after the first Monday in November, to be held simultaneously with the general election. Such change in the annual school election date must be authorized by resolution of either the board of education or the governing body of the municipality, or by an affirmative vote of a majority of the voters whenever a petition, signed by at least fifteen percent (15%) of the legally qualified voters, is filed with the board of education. Once the annual school election is moved to November, such election may not be changed back to an April annual school election for four (4) years.

School districts that opt to move the annual school election to November are no longer required to submit the budget to the voters for approval if the budget is at or below the two percent (2%) property tax levy cap as provided in the Tax Levy Cap Law (as hereinafter defined).

The Board conducts its annual election in November.

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT

Levy and Collection of Taxes

School districts in the State do not levy or collect taxes to pay those budgeted amounts which are not provided by the State. The municipality within which a school district is situated levies or collects the required taxes and must remit them in full to the school district.

Budgets and Appropriations

School districts in the State must operate on an annual cash basis budget. Each school district must adopt an annual budget in such detail and upon forms as prescribed by the Commissioner, to which must be attached an itemized statement showing revenues, including State and Federal aid, and expenditures. The Commissioner must approve a budget prior to its final adoption and has the power to increase or decrease individual line items in a budget. Any amendments to a school district's budget must be approved by the board of education or the board of school estimate, as the case may be. Every budget submitted must provide no less than the minimum permissible amount deemed necessary under State law to provide for a thorough and efficient education as mandated by the State Constitution. The Commissioner may not approve any budget unless the Commissioner is satisfied that the school district has adequately implemented within the budget the Core Curriculum Content Standards (as defined herein) required by State law. If necessary, the Commissioner is authorized to order changes in the local school district's budget. The Commissioner will also ensure that other provisions of law are met including the limitations on taxes and spending explained below.

Tax and Spending Limitations

The Public School Education Act of 1975, N.J.S.A. 18A:7A-1 et seq., P.L. 1975, c. 212 (as amended and partially repealed), first limited the amount of funds that could be raised by a local school district. It limited the annual increase of any school district's net current expense budget. The budgetary limitations were known as a "CAP" on expenditures. The "CAP" was intended to control the growth in local property

taxes. Subsequently there have been numerous legislative changes as to how the spending limitations would be applied.

The Quality Education Act of 1990, N.J.S.A. 18A:7D-1 et seq., P.L. 1990, c. 52 (the "QEA") (now repealed), also limited the annual increase in the school district's current expense and capital outlay budgets by a statutory formula linked to the annual percentage increase in per capita income. The QEA was amended and revised by chapter 62 of the Laws of New Jersey of 1991, and further amended by chapter 7 of the Laws of New Jersey of 1993.

The Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 et seq., P.L. 1996, c. 138 (the "CEIFA"), as amended by P.L. 2004, c. 732, effective July 1, 2004, also limited the annual increase in a school district's net budget by a spending growth limitation. The CEIFA limited the amount school districts can increase their annual current expense and capital outlay budgets (the "Spending Growth Limitations"). Generally, budgets could increase either by two and one-half percent (2.5%) or the consumer price index, whichever is greater. Amendments to the CEIFA decreased the budget cap to two and one-half percent (2.5%) from three percent (3%). Budgets could also increase because of certain adjustments for enrollment increases, certain capital outlay expenditures, pupil transportation costs, and special education costs that exceeded \$40,000 per pupil. Waivers were available from the Commissioner based on increasing enrollments and other fairly narrow grounds and increases higher than the cap could be approved by a vote of sixty percent (60%) at the annual school election.

P.L. 2007, c. 62, effective April 3, 2007, provided additional limitations on school district spending by limiting the amount a school district could raise for school district purposes through the property tax levy by four percent (4%) over the prior budget year's tax levy. P.L. 2007, c. 62 provided for adjustments to the cap for increases in enrollment, reductions in State aid and increased health care costs and for certain other extraordinary cost increases that required approval by the Commissioner. The bill granted discretion to the Commissioner to grant other waivers from the cap for increases in special education costs, capital outlay, and tuition charges. The Commissioner also had the ability to grant extraordinary waivers to the tax levy cap for certain other cost increases beginning in fiscal year 2009 through 2012.

P.L. 2007, c. 62 was deemed to supersede the prior limitations on the amount school districts could increase their annual current expense and capital outlay budgets created by CEIFA (as amended by P.L. 2004, c. 73, effective July 1, 2004). However, chapter 62 was in effect only through fiscal year 2012. Without an extension of chapter 62 by the legislature, the Spending Growth Limitations on the general fund and capital outlay budget would be in effect.

Debt service was not limited either by the Spending Growth Limitations or the four percent (4%) cap on the tax levy increase imposed by chapter 62.

The previous legislation was amended by P.L. 2010, c. 44, effective July 13, 2010 and became applicable to the next local budget year following enactment. This law limits the school district tax levy for the general fund budget to increases of two percent (2%) over the prior budget year with exceptions only for enrollment increases, increases for certain normal and accrued liability for pension contributions in excess of two percent (2%), certain healthcare increases, and amounts approved by a simple majority of voters voting at a special election (the "Tax Levy Cap Law"). Additionally, also becoming effective in the 2011-2012 fiscal year, a school district that has not been granted approval to exceed the tax levy cap by a separate proposal can bank the unused tax levy for use in any of the next three (3) succeeding budget years. A school district can request a use of "banked cap" only after it has fully exhausted all eligible statute spending authority in the budget year. The process for obtaining waivers from the Commissioner for additional increases over the tax levy cap or Spending Growth Limitations was eliminated under chapter 44. Notwithstanding the foregoing, under P.L. 2018, c. 67, effective July 24, 2018, which increases State school aid to underfunded school districts and decreases state school aid to overfunded school districts, during the 2018-2019 through 2024-2025 fiscal years, SDA Districts, which are certain urban districts formerly referred to as Abbott Districts referred to herein under "SUMMARY OF STATE AID TO SCHOOL DISTRICTS", are permitted increases in the tax levy over the two percent (2%) limit to raise a general fund tax levy to an amount that does not exceed its local share of the adequacy budget.

The restrictions are solely on the tax levy for the general fund and are not applicable to the debt service fund. There are no restrictions on a local school district's ability to raise funds for debt service, and nothing would limit the obligation of a school district to levy *ad valorem* taxes upon all taxable real property within the school district to pay debt service on its bonds or notes with one exception. School districts are subject to GAAP accounting, and under GAAP interest on obligations maturing within one (1) year must be treated as operating expenses. Accordingly, under the Department of Education's Chart of Accounts, interest on notes is raised in the General Fund of a school district and therefore is counted within its two percent (2%) tax levy cap on spending.

Issuance of Debt

Among the provisions for the issuance of school debt are the following requirements: (i) bonds must mature in serial installments within the statutory period of usefulness of the projects being financed but not exceeding forty (40) years, (ii) debt must be authorized by a resolution of a board of education (and approved by a board of school estimate in a Type I school district and a Type II school district with a board of school estimate), and (iii) there must be filed with the State by each municipality comprising a school district a Supplemental Debt Statement and a school debt statement setting forth the amount of bonds and notes authorized but unissued and outstanding for such school district.

Annual Audit (N.J.S.A. 18A:23-1 et seq.)

Every board of education is required to provide an annual audit of the school district's accounts and financial transactions. The audit must be performed by a licensed public school accountant no later than five (5) months after the end of the school fiscal year or by the date extended by statute or by the State of New Jersey Department of Education. The audit, in conformity with statutory requirements, must be filed with the board of education and the Commissioner. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within thirty (30) days following receipt of the annual audit by such board of education.

Temporary Financing (N.J.S.A. 18A:24-3)

Temporary notes may be issued in anticipation of the issuance of permanent bonds for a capital improvement or capital project. Such temporary notes may not exceed in the aggregate the amount of bonds authorized for such improvement or project. A school district's temporary notes may be issued for one (1) year periods, with the final maturity not exceeding five (5) years from the date of original issuance; provided, however, that no such notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which said notes are issued, is paid and retired subsequent to such third anniversary date from funds other than the proceeds of obligations. School districts must include in each annual budget the amount of interest due and payable in each fiscal year on all outstanding temporary notes.

Capital Lease Financing

School districts are permitted to enter into lease purchase agreements for the acquisition of equipment or for the improvement of school buildings. Generally, lease purchase agreements cannot exceed five (5) years except for certain energy-saving equipment which may be financed for up to fifteen (15) years if paid from energy savings. Lease purchase agreements for a term of five (5) years or less must be approved by the Commissioner. The Educational Facilities Construction and Financing Act, P.L. 2000, c. 72 (the "EFCFA"), repealed the authorization to enter into facilities leases in excess of five (5) years. The payment of rent on an equipment lease and on a five (5) year and under facilities lease purchase is treated as a current expense and within the cap on the school district's budget. Under the CEIFA, financed purchase payments on leases in excess of five (5) years issued under prior law are treated as debt service payments and, therefore, will receive debt service aid if the school district is entitled and are outside the school district's tax levy cap.

Debt Limitation (N.J.S.A. 18A:24-19)

Except as provided below, no additional debt shall be authorized if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a grades pre-kindergarten (Pre-K) through twelve (12) school district, the School District can borrow up to four percent (4%) of the average equalized valuation of taxable property in the School District. The School District has not exceeded its four percent (4%) debt limit. See "APPENDIX A – Certain Economic and Demographic Information Relating to the School District and the Borough of Pompton Lakes, in the County of Passaic, State of New Jersey."

Exceptions to Debt Limitation

A Type II school district (other than a regional district) may also utilize its constituent municipality's remaining statutory borrowing power (i.e. the excess of three and one-half percent (3.5%) of the average equalized valuation of taxable property within the constituent municipality over the constituent municipality's net debt). A school district may also authorize debt in excess of this limit with the consent of the Commissioner and the Local Finance Board.

Energy Saving Obligations

Under P.L. 2009, c. 4, approved January 21, 2009 and effective sixty (60) days thereafter, school districts may issue "energy savings obligations" without voter approval to fund certain improvements that result in reduced energy use, facilities for production of renewable energy or water conservation improvements provided that the amount of the savings will cover the cost of the improvements.

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

In 1973, the Supreme Court of the State of New Jersey (the "Court") ruled in *Robinson v. Cahill* that the method then used to finance public education principally through property taxation was unconstitutional. Pursuant to the Court's ruling, the Legislature enacted the Public School Education Act of 1975, N.J.S.A. 18A:7A-1 et seq., P.L. 1975, c. 212 (the "Public School Education Act") (as amended and partially repealed), which required funding of the State's school aid through the New Jersey Gross Income Tax Act, P.L. 1976, c. 47, as amended and supplemented, enacted for the purpose of providing property tax relief.

On June 5, 1990, the Court ruled in *Abbott v. Burke* that the school aid formula enacted under the Public School Education Act was unconstitutional as applied. The Court found that poorer urban school districts (previously called "Abbott Districts", now referred to as "SDA Districts") were significantly disadvantaged under that school funding formula because school revenues were derived primarily from property taxes. The Court found that wealthy school districts were able to spend more, yet tax less for educational purposes.

Since that time there has been much litigation and many cases affecting the State's responsibilities to fund public education and many legislative attempts to distribute State aid in accordance with the court cases and the constitutional requirement. The cases addressed not only current operating fund aid but also addressed the requirement to provide facilities aid as well. The legislation has included QEA, CEIFA and EFCFA. For many years aid has simply been determined in the State Budget, which itself is an act of the legislature, based upon amounts provided in prior years. The school funding formula, provided in the School Funding Reform Act of 2008, P.L. 2007, c. 260, effective January 1, 2008, attempts to remove the special status given to certain school districts known as Abbott Districts after the school funding cases and instead has funding follow students with certain needs and provides aid in a way that takes into account the ability of the local school district to raise local funds to support the budget in amounts deemed adequate to provide for a thorough and efficient education as required by the State constitution. This legislation was challenged in the Court, and the Court held that the State's then current plan for school aid was a "constitutionally adequate scheme." However, the State continued to underfund certain school districts and to overfund other school districts in its budgets based on the statutory scheme. Since 2019 and in accordance with the enactment of P.L. 2018, c. 67, effective July 24, 2018, the State has increased funding

for underfunded school districts and decreased funding for overfunded school districts and will continue to do so as set forth therein. It has also provided cap relief for overfunded school districts to enable them to pick up more of the local share.

Notwithstanding over thirty-five (35) years of litigation, the State provides State aid to school districts of the State in amounts provided in the State budget each year. These now include equalization aid, special education categorical aid, transportation aid, preschool education aid, instructional supplement aid, supplemental core curriculum standards aid, distance learning network aid, bilingual aid, security aid, adjustment aid and other aid determined in the discretion of the Commissioner.

State law requires that the State will provide aid for the construction of school facilities in an amount equal to the greater of the district aid percentage or forty percent (40%) times the eligible costs determined by the Commissioner either in the form of a grant or debt service aid as determined under the EFCFA. The amount of aid to which a school district is entitled is established prior to the authorization of the project. Grant funding is provided by the State upfront and debt service aid must be appropriated annually by the State.

The State reduced debt service aid by fifteen percent (15%) for fiscal years 2011 through 2024. As a result of the debt service aid reduction for those fiscal years, school districts received eighty-five percent (85%) of the debt service aid that they would have otherwise received. In addition, school districts which received grants under the EFCFA, which grants were financed through the New Jersey Economic Development Authority (the "EDA"), were assessed an amount in their fiscal years 2011 through 2024 budgets representing fifteen percent (15%) of the school district's proportionate share of the principal and interest payments on the outstanding EDA bonds issued to fund such grants.

Pursuant to P.L. 2018, c. 67, effective July 24, 2018, the School Funding Reform Act has been modified to adjust the distribution of State aid to school districts in the State ("SFRA Modification Law"). In particular, the SFRA Modification Law revises the School Funding Reform Act so that, after calculating the amount of State aid available per pupil, State aid will be distributed to each school district based on student enrollment. The SFRA Modification Law also eliminates the application of the State aid growth limit and adjustment aid, but includes a transition period for school districts that will receive less State aid. Under the SFRA Modification Law, most school districts that will receive reduced State aid resulting from the revised funding formula will be provided a seven (7) year transition period during which funding will be reduced. For those school districts where State aid will increase under the SFRA Modification Law, the transition period to increase funding will be one (1) year.

SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS

Federal funds are available for certain programs approved by the Federal government with allocation decided by the State, which assigns a proportion to each local school district. The Every Student Succeeds Act of 2015, enacted December 10, 2015, is a Federal assistance program for which a school district qualifies to receive aid. A remedial enrichment program for children of low income families is available under Chapter 1 Aid. Such Federal aid is generally received in the form of block grants. Aid is also provided under the Individuals with Disabilities Education Act although never in the amounts Federal law required.

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

Local Bond Law (N.J.S.A. 40A:2-1 et seq.)

The Local Bond Law, N.J.S.A. 40A:2-1 et seq. (the "Local Bond Law"), governs the issuance of bonds and notes to finance certain municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects financed and that bonds be retired in serial installments. A five percent (5%) cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Borough are general full faith and credit obligations.

The authorized bonded indebtedness of the Borough is limited by statute, subject to certain exceptions noted below, to an amount equal to three and one-half percent (3.5%) of its average equalized valuation basis. The average for the last three (3) years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the Borough as annually determined by the New Jersey Board of Taxation is set forth in APPENDIX A.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

A municipality may exceed its debt limit with the approval of the Local Finance Board, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, a municipality may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the municipality or substantially reduce the ability of the municipality to meet its obligations or to provide essential public improvements and services, or makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the municipality to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

A municipality may sell "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the bond ordinance, as it may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued for periods not exceeding one (1) year. Generally, bond anticipation notes may not be outstanding for longer than ten (10) years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus four (4) months in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

Local Budget Law (N.J.S.A. 40A:4-1 et seq.)

The foundation of the State local finance system is the annual cash basis budget. Every local unit must adopt an annual operating budget in the form required by the Division of Local Government Services, New Jersey Department of Community Affairs (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget cannot be finally adopted until it has been certified by the Director of the Division (the "Director"), or in the case of a local unit's examination of its own budget, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and governing body of the local unit. The Local Budget Law, N.J.S.A. 40A:4-1 et seq. (the "Local Budget Law") requires each local unit to appropriate sufficient funds for the payment of current debt service, and the Director or, in the case of local examination, the local unit, may review the adequacy of such appropriations.

Tax anticipation notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year in which they were issued.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the budgetary review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations. N.J.S.A. 40A:4-22. If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

A provision in the Local Budget Law, N.J.S.A. 40A:4-26, provides that: "[n]o miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess

of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit.”

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues, except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with a municipality's calendar fiscal year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body. However, with minor exceptions, such appropriations must be included in full in the following year's budget. When such appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects (“special emergencies”) such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -55.1. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between appropriation accounts are prohibited until the last two (2) months of the year. Appropriation reserves may be transferred during the first three (3) months of the year, to the previous year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a 2/3 vote of the full membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Certain types of appropriations are excluded from the provisions permitting transfers. Generally, transfers cannot be made from the down payment account, interest or debt redemption charges or the capital improvement fund or for contingent expenses.

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities, in addition to the general taxing power upon taxable property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six (6) years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next six (6) years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Fiscal Year Adjustment Law (1991 N.J. Laws c. 75)

Chapter 75 of the Laws of New Jersey of 1991, requires certain municipalities and permits all other municipalities to adopt the State fiscal year in place of the existing calendar fiscal year. Municipalities that change fiscal years must adopt a six (6) month transition budget for January 1 through June 30. Since expenditures would be expected to exceed revenues primarily because State aid for the calendar year would not be received by the municipality until after the end of the transition year budget, the act authorizes the issuance of Fiscal Year Adjustment Bonds to fund the one time deficit for the six (6) month transition budget. The law provides that the deficit in the six (6) month transition budget may be funded initially with bond anticipation notes based on the estimated deficit in the six (6) month transition budget. Notes issued in anticipation of Fiscal Year Adjustment Bonds, including renewals, can only be issued for up to one (1) year unless the Local Finance Board permits the municipality to renew them for a longer period of time. The Local Finance Board must confirm the actual deficit experienced by the municipality. The municipality then may issue Fiscal Year Adjustment Bonds to finance the deficit on a permanent basis. The purpose of the act is to assist municipalities that are heavily dependent on State aid and that have had to issue tax anticipation notes to fund operating cash flow deficits each year. While the law does not authorize counties to change their fiscal years, it does provide that counties with cash flow deficits may issue Fiscal Year Adjustment Bonds as well.

State Supervision

State law authorizes State officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for two (2) successive years; which has a deficit greater than four percent (4%) of its tax levy for two (2) successive years; which has failed to make payments due and owing to the State, county, school district or special district for two (2) consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds twenty-five percent (25%) of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of gross failure to comply with the Local Bond Law, the Local Budget Law, or the Local Fiscal Affairs Law, N.J.S.A. 40A:5-1 et seq., which substantially jeopardizes its fiscal integrity. State officials are authorized to continue such supervision for as long as any of the conditions exist and until the municipality operates for a fiscal year without incurring a cash deficit.

Appropriations “Cap”

The New Jersey “Cap Law” (the “Cap Law”) (N.J.S.A. 40A:4-45.1 et seq.) places limits on municipal tax levies and expenditures. The Cap Law provides that a local unit shall limit any increase in its budget to two and one-half percent (2.5%) or the Cost-Of-Living Adjustment (as defined in the Cap Law), whichever is less, of the previous year’s final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to the nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than two and one-half percent (2.5%), a local unit may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the local unit for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than three and one-half percent (3.5%) over the previous year’s final appropriations. In addition, N.J.S.A. 40A:4-45.15a restored “cap” banking to the Local Budget Law. Municipalities are permitted to appropriate available “cap bank” in

either of the next two (2) succeeding years' final appropriations. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "cap".

Additionally, P.L. 2010, c. 44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of two percent (2%), certain increases in health care over two percent (2%), and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above two percent (2%) not otherwise permitted under the law by an affirmative vote of fifty percent (50%).

The Division has advised that counties and municipalities must comply with both the budget "cap" and the tax levy limitation. Neither the tax levy limitation nor the Cap Law, however, limits the obligation of the county or municipality to levy *ad valorem* taxes upon all taxable property within its boundaries to pay debt service on its bonds and notes.

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income (where appropriate). Current assessments are the result of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. However, a divergence of the assessment ratio to true value is typically due to changes in market value over time.

Upon the filing of certified adopted budgets by the local unit, the local school district and the county, the tax rate is struck by the county Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provisions for the assessment of property, the levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in the State for various special services rendered to the properties located within the special districts.

Generally, tax bills are mailed annually in June of the current fiscal year. The taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged for the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, county and school purposes for the preceding fiscal year.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) per annum on the first \$1,500.00 of the delinquency and eighteen percent (18%) per annum on any amount in excess of \$1,500.00. Pursuant to 1991 N.J. Laws c. 75, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000.00 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent (6%) of the amount of the delinquency. These penalties and interest rates are the highest permitted under State statutes. Delinquent taxes open for one (1) year or more are annually included in a tax sale in accordance with State statutes.

Tax Appeals

State statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the county Board of Taxation on or before April 1 of the current year for review. The county Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily

reviewed by the county Board of Taxation, appeal may be made to the Tax Court of the State of New Jersey (the "State Tax Court") for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

This law regulates the nonbudgetary financial activities of local governments. The chief financial officer of every local unit must file annually with the Director a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division's "Requirements of Audit," includes recommendations for improvement of the local unit's financial procedures. The audit report must be filed with the Director. A synopsis of the report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of the local unit's receipt of the audit report.

FINANCIAL STATEMENTS

The audited financial statements of the Board as of and for the year ended June 30, 2023 together with the notes to the financial statements have been provided by Wielkott & Company, LLC, Pompton Lakes, New Jersey (the "Auditor") and are presented in APPENDIX B to this Official Statement (the "Financial Statements"). See "APPENDIX B – Financial Statements of The Board of Education of the Borough of Pompton Lakes in the County of Passaic, New Jersey."

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the Board with respect to the issuance of the Bonds (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and the Appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

LITIGATION

To the knowledge of the Board Attorney, Adams, Lattiboudere, Croot & Herman, LLC, Iselin, New Jersey (the "Board Attorney"), there is no litigation of any nature now pending or threatened against the Board, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Board or the School District or the title of any of the present officers. To the knowledge of the Board Attorney, no litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a materially adverse impact on the financial condition of the Board if adversely decided. A certificate to such effect will be executed by the Board Attorney and delivered to the Underwriter (as hereinafter defined) of the Bonds and Notes at the closing.

TAX EXEMPTION

Federal Income Tax Treatment

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance of the Bonds in order for the interest thereon to be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause such interest to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Bonds. The Board has covenanted to comply with the provisions of the Code applicable to the Bonds, and has covenanted not

to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code.

In the opinion of Wilentz, Goldman & Spitzer, P.A., Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Board with the requirements of the Code described above, interest on the Bonds is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax.

Premium Bonds

[The Bonds [maturing on July 15 in the years 20__ through 20__, inclusive (collectively, the "Premium Bonds")], have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the [Premium] Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a [Premium] Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a [Premium] Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such [Premium] Bonds and not as interest.]

Discount Bonds

[Bond Counsel is also of the opinion that the difference between the stated principal amount of the Bonds maturing on July 15 in the years 20__ through 20__, inclusive (collectively, the "Discount Bonds") and their respective initial public offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which prices a substantial amount of the [Discount] Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Bonds. In the case of any holder of the [Discount] Bonds, the amount of such original issue discount which is treated as having accrued with respect to the [Discount] Bonds is added to the cost basis of the holder in determining, for Federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). Holders of the [Discount] Bonds should consult their tax advisors for an explanation of the original issue discount rules.]

Additional Federal Income Tax Consequences Relating to Bonds

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional Federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Bonds should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

State Taxation

Bond Counsel is also of the opinion that interest on the Bonds, and any gain on the sale of the Bonds, are not includable in gross income under the existing New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended. Except as provided above, no opinion is expressed with respect to other State and local tax consequences of owning the Bonds. See "APPENDIX C – Form of Approving Legal Opinion" for the complete text of the proposed form of Bond Counsel's approving legal opinion.

Prospective Tax Law Changes

Federal, state or local legislation, administrative pronouncements or court decisions may affect the Federal and State tax-exempt status of interest on the Bonds and the State tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds or the marketability of the Bonds. The effect of any legislation, administrative pronouncements or court decisions cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding such matters.

Other Tax Consequences

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, State, local or foreign tax consequences of ownership of the Bonds. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Bonds and assumes no obligation to update its opinion after such date of issuance to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the effect, if any, on the tax status of the interest on the Bonds paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

See APPENDIX C for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Bonds.

PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO ALL TAX CONSEQUENCES (INCLUDING BUT NOT LIMITED TO THOSE LISTED ABOVE) OF HOLDING THE BONDS.

BANK-QUALIFIED BONDS

The Bonds will be designated as "qualified tax-exempt obligations" under Section 265 of the Code by the Board for an exemption from the denial of deduction for interest paid by financial institutions to purchase or carry tax-exempt obligations. The Board will furnish to the Underwriter (as herein after defined) at the time of delivery of any payment for the Bonds, a certificate executed by the Business Administrator/Board Secretary of the Board designating the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B)(ii) of the Code, and in such certificate the Board will represent that it reasonably expects that, collectively, neither it nor its subordinate entities, if any, will issue more than \$10,000,000 of tax-exempt obligations in the current calendar year.

RISK TO HOLDERS OF BONDS

It is understood that the rights of the holders of the Bonds, and the enforceability thereof, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Municipal Bankruptcy

THE BOARD HAS NOT AUTHORIZED THE FILING OF A BANKRUPTCY PETITION. THIS REFERENCE TO THE BANKRUPTCY CODE OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE BOARD EXPECTS TO UTILIZE THE BENEFITS OF ITS PROVISIONS, OR THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE BONDS, OR THAT THE BANKRUPTCY CODE COULD NOT BE AMENDED AFTER THE DATE HEREOF.

The undertakings of the Board should be considered with reference to 11 U.S.C. §101 *et seq.*, as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public

agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed, and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a political subdivision must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may be avoided pursuant to certain preferential transfer provisions set forth in such act.

Reference should also be made to N.J.S.A. 52:27-40 et seq. which provides that a political subdivision, including the Board, has the power to file a petition in bankruptcy with any United States Court or court in bankruptcy under the provisions of the Bankruptcy Code, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Local Finance Board, as successor to the Municipal Finance Commission, must be obtained.

RECENT HEALTHCARE DEVELOPMENTS

In early March of 2020, the World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a newly discovered strain of coronavirus. On March 13, 2020, the President of the United States declared a national public health emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. The Governor of the State declared a state of emergency and a public health emergency on March 9, 2020. In response to the COVID-19 pandemic, federal and State legislation and executive orders were implemented to mitigate the spread of the disease and provide relief to State and local governments. The pandemic and certain mitigation measures altered the behavior of businesses and people with negative impacts on regional, State and local economies. The national public health emergency and the State public health emergency have since ended, while the state of emergency declared by the State and several executive orders signed by the Governor remain to manage COVID-19 on an endemic level. Depending on future circumstances, ongoing actions could be taken by State, federal and local governments and private entities to mitigate the spread and impacts of COVID-19, its variants or other critical health care challenges.

To date, the overall finances and operations of the Board have not been materially adversely affected by the COVID-19 pandemic. Nonetheless, the degree of any future impact to the Board's operations and finances is difficult to predict due to the dynamic nature of the COVID-19 pandemic and any additional actions that may be taken by governmental and other health care authorities to manage the COVID-19 pandemic.

The American Rescue Plan Act of 2021, H.R. 1319 (the "Plan"), signed into law by the President of the United States on March 11, 2021, provided \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic. The Plan, in part, provides funding for State and local governments to offset costs to safely reopen schools during the COVID-19 pandemic and to subsidize COVID-19 testing and vaccination programs. In addition, the Plan includes \$350 billion in relief funds to public entities, such as the Board.

The Board has been awarded a total of \$4,073,691 in federal aid to address the effects of the COVID-19 pandemic.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel to the Board, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as APPENDIX C. Certain legal matters will be passed upon for the Board by its Board Attorney.

PREPARATION OF OFFICIAL STATEMENT

The Board hereby states that the descriptions and statements herein, including the Financial Statements, are true and correct in all material respects, and it will confirm same to the Underwriter by a certificate signed by the Board President and Business Administrator/Board Secretary. See "CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT" herein.

Bond Counsel has participated in the preparation and review of this Official Statement but has not participated in the collection of financial, statistical or demographic information contained in this Official Statement nor verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

The Municipal Advisor has participated in the review of this Official Statement and in the collection of financial, statistical and demographic information contained in APPENDIX A to this Official Statement but has not verified the accuracy, completeness or fairness thereof, and, accordingly, takes no responsibility and expresses no opinion with respect thereto.

The Auditor takes responsibility for the Financial Statements to the extent specified in the Independent Auditor's Report appearing in APPENDIX B hereto.

The Board Attorney has not participated in the preparation of the information contained in this Official Statement, nor has the Board Attorney verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but has reviewed the section under the caption entitled "LITIGATION" and expresses no opinion or assurance other than that which is specifically set forth therein with respect thereto.

All other information has been obtained from sources which the Board considers to be reliable, but it makes no warranty, guarantee or other representation with respect to the accuracy and completeness of such information.

RATING

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency"), has assigned an underlying rating of "AA" to the Bonds based upon the creditworthiness of the School District. The Bonds are additionally secured by the New Jersey School Bond Reserve Act.

The rating reflects only the view of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. The Board forwarded to the Rating Agency certain information and materials concerning the Bonds and the School District. There can be no assurance that the rating will be maintained for any given period of time or that the rating will not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITING

The Bonds are being purchased from the Board by _____ (the "Underwriter"), at a price of \$_____. The Underwriter is obligated to purchase all of the Bonds if any Bonds are so purchased.

The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the inside cover page of this Official Statement, which may subsequently change without any requirement

of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at yields higher than the public offering yields set forth on the inside cover page, and such public offering yields may be changed, from time to time, by the Underwriter without prior notice.

SECONDARY MARKET DISCLOSURE

The Board has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Board by no later than each January 31 after the end of each fiscal year, commencing with the fiscal year ending June 30, 2023 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Board with the Municipal Securities Rulemaking Board (the "MSRB") or any other entity designated by the MSRB. The notices of material events will be filed by the Board with the MSRB through its Electronic Municipal Market Access ("EMMA") system and with any other entity designated by the MSRB, as applicable. The nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX D – Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "SEC Rule").

The Board currently does not have undertakings with regard to continuing disclosure for prior obligations issued. The Board has appointed Phoenix Advisors, LLC, Bordentown, New Jersey to act as continuing disclosure agent to assist in the filing of certain information on EMMA as required with respect to the Bonds and future obligations.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Business Administrator/Board Secretary, Angela Spasevski, (973) 835-7100, ext. 1517, or to Charles Anthony Solimine, Esq., Wilentz, Goldman & Spitzer, P.A., Bond Counsel to the Board, (732) 855-6430.

CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT

At the time of the original delivery of the Bonds, the Board will deliver a certificate of one or more of its authorized officials to the effect that he/she has examined this Official Statement (including the Appendices) and the financial and other data concerning the School District contained herein and that, to the best of his knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading and (ii) between the date of this Official Statement and the date of delivery of the Bonds, there has been no material adverse change in the affairs (financial or otherwise), financial condition or results or operations of the Board except as set forth in or contemplated by this Official Statement.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement among the Board, the Underwriter and the holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs (financial or otherwise) of the Board since the date hereof.

The Board has authorized the preparation of this final Official Statement containing pertinent information relative to the Bonds, and this Official Statement is deemed to be the final Official Statement as required by Rule 15c2-12, promulgated by the Securities and Exchange Commission pursuant to the

Securities Exchange Act of 1934, as amended and supplemented. By awarding the Bonds to the Underwriter, the Board agrees that, within the earlier of seven (7) business days following the date of such award or to accompany the purchasers' confirmations requesting payment for the Bonds, it shall provide without cost to the Underwriter, for distribution purposes, copies of this final Official Statement. The underwriter agrees that (i) it shall accept such designation, and (ii) it shall assure the distribution of the final Official Statement.

**THE BOARD OF EDUCATION OF THE BOROUGH OF
POMPTON LAKES IN THE COUNTY OF PASSAIC, NEW
JERSEY**

**ANGELA SPASEVSKI,
Business Administrator/Board Secretary**

DATED: _____, 2024

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APPENDIX A

**Certain Economic and Demographic Information Relating to the
School District and the Borough of Pompton Lakes, in the
County of Passaic, State of New Jersey**

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INFORMATION REGARDING THE SCHOOL DISTRICT¹

Type

The School District is a Type II school district that is coterminous with the borders of the Borough of Pompton Lakes (the “Board”). The School District provides a full range of educational services appropriate to Pre-Kindergarten through the Twelfth grades.

The Board is composed of nine (9) members elected by the legally qualified voters in the School District to terms of three (3) years on a staggered basis and (1) representative from the Borough of Riverdale. The President and Vice President are chosen for one (1) year terms from among the members of the Board.

The Board is the policy making body of the School District and has the general responsibility for providing an education program, the power to establish policies and supervise the public schools in the School District, the responsibility to develop the annual School District budget and present it to the legally registered voters in the School District. The Board's fiscal year ends each June 30.

The Board appoints a Superintendent and Business Administrator/Board Secretary who are responsible for budgeting, planning and the operational functions of the School District. The administrative structure of the Board gives final responsibility for both the educational process and the business operation to the Superintendent.

Description of Facilities

The Board presently operates the following school facilities:

<u>Facility</u>	<u>Grade Level</u>	<u>Student Enrollment (As of 6/30/23)</u>
Lincoln Elementary School	PreK-5	393
Lenox Elementary School	K-5	336
Lakeside Middle School	6-8	392
Pompton Lakes High School	9-12	636

Source: Comprehensive Annual Financial Report of the School District

¹ Source: The Board, unless otherwise indicated.

Staff

The Superintendent is the chief executive officer of the Board and is in charge of carrying out Board policies. The Business Administrator/Board Secretary is the chief financial officer of the Board and must submit monthly financial reports to the Board and annual reports to the New Jersey Department of Education.

The following table presents the number of full and part-time teaching professionals and support staff of the School District as of June 30, 2023, for each of the past five (5) years.

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Teaching Professionals	158	158	165	163	152
Support Staff	<u>127</u>	<u>123</u>	<u>122</u>	<u>122</u>	<u>125</u>
Total Full & Part Time Employees	<u>285</u>	<u>281</u>	<u>287</u>	<u>285</u>	<u>277</u>

Source: Comprehensive Annual Financial Report of the School District

Pupil Enrollments

The following table presents the historical average daily pupil enrollments for the past five (5) school years.

Pupil Enrollments	
<u>School Year</u>	<u>Enrollment</u>
2023-2024	1,722
2022-2023	1,757
2021-2022	1,771
2020-2021	1,737
2019-2020	1,713

Source: School District and Comprehensive Annual Financial Report of the School District

Pensions

Those employees of the School District who are eligible for pension coverage are enrolled in one of the two State-administered multi-employer pension systems (the "Pension System"). The Pension System was established by an act of the State Legislature. The Board of Trustees for the Pension System is responsible for the organization and administration of the Pension System. The two State-administered pension funds are: (1) the Teacher's Pension and Annuity Fund ("TPAF") and (2) the Public Employee's Retirement System ("PERS"). The Division of Pensions and Benefits, within the State of New Jersey Department of the Treasury (the "Division"), charges the participating school districts annually for their respective contributions. The School District raises its contributions through taxation and the State contributes the employer's share of the annual Social Security and Pension contribution for

employees enrolled in the TPAF. The Pension System is a cost sharing multiple employer contributory defined benefit plan. The Pension System's designated purpose is to provide retirement and medical benefits for qualified retirees and other benefits to its members. Membership in the Pension System is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State administered retirement system or other state or local jurisdiction.

Fiscal 2024-25 Budget

Prior to the passage of P.L. 2011, c. 202 the Board was required to submit its budget for voter approval on an annual basis. Under the Election Law (P.L. 2011, c. 202, effective January 17, 2012) if a school district has opted to move its annual election to November, it is no longer required to submit the budget to voters for approval if the budget is at or below the two-percent (2%) property tax levy cap as provided for under New Cap Law (P.L. 2010, c. 44). If a school district proposes to spend above the two-percent (2%) property tax levy cap, it is then required to submit its budget to voters at the annual school election in November. The Board has chosen under the Election Law to move its annual school election to November.

The General Fund budget is the sum of all state aid (exclusive of pension aid and social security aid) and the local tax levy (exclusive of debt service). The Board’s General Fund Budget for the 2024-2025 fiscal year is \$41,192,281. The major sources of revenue are \$26,327,972 from the local tax levy and \$9,822,492 from state aid.

Source: Annual User-Friendly Budget of the School District

Budget History

As noted, prior to the Board’s budget for its 2012-2013 fiscal year, the Board was required to submit its budget for voter approval. A summary of the last five (5) budget years of the Board is presented below:

<u>Budget Year</u>	<u>Amount Raised in Taxes</u>	<u>Budget Amount</u>
2024-2025	\$26,327,972	\$41,192,281
2023-2024	25,811,737	41,775,538
2022-2023	25,330,458	39,037,330
2021-2022	25,586,321	35,416,770
2020-2021	25,332,991	35,006,908

Source: Annual User-Friendly Budget of the School District

Financial Operations

The following table summarizes information on the changes in general fund revenues and expenditures for the school years ending June 30, 2019 through June 30, 2023 for the general fund. Beginning with the 1993-94 fiscal year, school districts in the State of New Jersey have begun to prepare their financial statements in accordance with Generally Accepted Accounting Principles in the United States.

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEARS ENDED JUNE 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
REVENUES					
Local Sources:					
Local Tax Levy	\$25,330,458	\$25,586,321	\$25,332,991	\$24,836,266	\$24,403,202
Other Local Revenue	<u>2,684,788</u>	<u>2,831,017</u>	<u>3,048,898</u>	<u>3,852,480</u>	<u>3,796,139</u>
Total Revenues-Local Sources	28,015,246	28,417,338	28,381,889	28,688,746	28,199,341
State Sources	17,754,140	15,176,139	12,370,381	10,156,022	9,990,875
Federal Sources	<u>35,963</u>	<u>11,679</u>	<u>6,824</u>	<u>25,130</u>	<u>14,610</u>
Total Revenues	\$45,805,349	\$43,605,157	\$40,759,094	\$38,869,898	\$38,204,826
EXPENDITURES					
General Fund:					
Instruction	\$15,907,692	\$15,192,421	\$14,727,109	\$15,955,942	\$15,790,846
Undistributed Expenditures	27,293,395	25,313,005	23,571,879	21,906,376	21,685,204
Capital Outlay	<u>1,049,078</u>	<u>800,805</u>	<u>292,891</u>	<u>632,133</u>	<u>1,586,324</u>
Total Expenditures	44,250,165	41,306,232	38,591,878	38,494,451	39,062,374
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	1,555,185	2,298,926	2,167,216	375,448	(857,548)
Other Financing Sources (Uses):					
Proceeds of Capital Lease	0	128,182	0	365,000	204,568
Transfers In	0	0	0	0	0
Transfers Out	<u>0</u>	<u>0</u>	<u>(30,098)</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	0	128,182	(30,098)	365,000	204,568
Net Change in Fund Balance	1,555,185	2,427,108	2,137,117	740,448	(652,980)
Fund Balance, July 1	<u>8,745,277</u>	<u>6,318,170</u>	<u>4,181,052</u>	<u>3,039,649</u>	<u>3,692,629</u>
Fund Balance, June 30	<u>\$10,300,462</u>	<u>\$8,745,277</u>	<u>\$6,318,170</u>	<u>\$3,780,097</u>	<u>\$3,039,649</u>

Source: Comprehensive Annual Financial Report of the School District. Statement of Revenues, Expenditures Governmental Funds and Changes In Fund Balances on a GAAP basis

Capital Leases

As of June 30, 2023, the Board has capital leases outstanding with payments due through year ending June 30, 2030, totaling \$898,671.11.

Source: Comprehensive Annual Financial Report of the School District

Operating Leases

As of June 30, 2023, the Board has no operating leases outstanding.

Source: Comprehensive Annual Financial Report of the School District

Short-Term Debt

As of June 30, 2023, the Board has no short-term debt outstanding.

Source: Comprehensive Annual Financial Report of the School District

Long-Term Debt

The following table outlines the outstanding long-term debt of the Board as of June 30, 2023.

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$370,000	\$10,260	\$380,260
2025	<u>355,000</u>	<u>3,373</u>	<u>358,373</u>
TOTALS	<u>\$725,000</u>	<u>\$13,633</u>	<u>\$738,633</u>

Source: Comprehensive Annual Financial Report of the School District

Debt Limit of the Board

The debt limitation of the Board is established by the statute (N.J.S.A. 18A:24-19). The Board is permitted to incur debt up to 4% of the average equalized valuation for the past three years (See “SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT- Exceptions to School Debt Limitations” herein). The following is a summation of the Board’s debt limitation as of June 30, 2023:

Average Equalized Real Property Valuation (2020, 2021, and 2022)	\$1,390,547,042
School District Debt Analysis	
Permitted Debt Limitation (4% of AEVP)	\$55,621,882
Less: Bonds and Notes Authorized and Outstanding	<u>725,000</u>
Remaining Limitation of Indebtedness	\$54,896,882
Percentage of Net School Debt to Average Equalized Valuation	0.05%

Source: Comprehensive Annual Financial Report of the School District

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INFORMATION REGARDING THE BOROUGH¹

The following material presents certain economic and demographic information of the Borough of Pompton Lakes (the “Borough”), in the County of Passaic (the “County”), State of New Jersey (the “State”).

General Information

The Borough was originally part of the Township of Pompton. In 1895, the Borough separated from the Township of Pompton and incorporated as the Borough of Pompton Lakes. The Borough is situated in the north central portion of the County adjacent to Oakland in Bergen County on the north and approximately 30 miles west of New York City via four lane divided highways State Route 208 and 4, or north-south State Route 23 connecting with east-west Interstate Route 80 south of the Borough. Interstate Route 287, is extended to the New York Thruway and has access and egress ramps on both borders of the Borough.

On the Borough's eastern border is Pompton Lake, approximately 1.75 miles long and .50-mile-wide at its widest point, along which are numerous residences. The North Jersey District Water Supply Commission operates a water pumping station in conjunction with a dam at the point where Pompton Lake flows into the Ramapo River.

Most of the population commutes to business concerns in New York City and in Bergen, Essex, and Morris Counties. Homes in the Borough range from luxurious to moderate residences. The housing mix contains condominiums, townhouses, and garden apartments in addition to the single-family residences.

Principal areas of retail and commercial establishments are along Wanaque Avenue, the Borough's principal thoroughfare, and along the Paterson-Hamburg Turnpike.

Form of Government

The Borough operates under the Borough form of government. The Mayor is elected for a term of four years and the six member Council is elected at large, each Councilperson elected for a three year term on a staggered basis. The Mayor is the Chief Executive Officer and the Council is the Legislative body, with the Council members organized into various committees which assist the Mayor in the Borough's operations.

¹ Source: The Borough, unless otherwise indicated.

Retirement Systems

All full-time permanent or qualified Borough employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions, within the New Jersey Department of Treasury (the “Division”), is the administrator of the funds with the benefit and contribution levels set by the State. The Borough is enrolled in the Public Employees' Retirement System (“PERS”) and the Police and Firemen's Retirement System (“PFRS”).

Pension and Retirement Systems

Substantially all eligible employees participate in the Public Employees' Retirement System, the Police and Firemen's Retirement System or the Defined Contribution Retirement Program, which have been established by State statute and are administered by the New Jersey Division of Pensions and Benefits (the “Division”). Benefits, contributions, means of funding and the manner of administration are established pursuant to State statute. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations and the employees contribute a portion of the cost. Each Plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes the financial statements and required supplementary information. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or is available online at www.nj.gov/treasury/pensions/financial-reports.shtml.

The Public Employees' Retirement System (“PERS”) is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other State pension fund or local jurisdiction's pension fund.

The Police and Firemen's Retirement System (“PFRS”) is a cost-sharing multiple-employer defined benefit pension plan which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A, to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full-time county and municipal police and firemen or officer employees with police powers appointed after June 30, 1944.

The Defined Contribution Retirement Program (“DCRP”) is a multiple-employer defined contribution pension fund which was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered,

defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Borough, the County, and the State:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough</u>				
2023	6,958	6,696	262	3.8%
2022	6,818	6,597	221	3.2%
2021	6,652	6,247	405	6.1%
2020	6,643	6,080	563	8.5%
2019	6,843	6,643	200	2.9%
<u>County</u>				
2023	259,188	244,903	14,285	5.5%
2022	253,380	241,287	12,093	4.8%
2021	250,241	228,485	21,756	8.7%
2020	253,066	222,385	30,681	12.1%
2019	253,096	242,465	10,631	4.2%
<u>State</u>				
2023	4,829,671	4,615,722	213,949	4.4%
2022	4,736,213	4,552,563	183,650	3.9%
2021	4,648,814	4,337,793	311,021	6.7%
2020	4,638,386	4,200,980	437,406	9.4%
2019	4,687,390	4,525,044	162,346	3.5%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

Income (as of 2022)

	<u>Borough</u>	<u>County</u>	<u>State</u>
Median Household Income	\$113,781	\$84,465	\$97,126
Median Family Income	132,281	97,267	119,240
Per Capita Income	51,422	38,932	50,995

Source: US Bureau of the Census, 2022 American Community Survey 5-Year Estimates

Population

The following tables summarize population increases and the decreases for the Borough, the County, and the State.

<u>Year</u>	<u>Borough</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2023 Estimate	10,874	-2.27%	513,634	-2.00%	9,260,817	-0.30%
2020	11,127	0.27	524,118	4.57	9,288,994	5.65
2010	11,097	4.30	501,226	2.49	8,791,894	4.49
2000	10,640	0.96	489,049	7.94	8,414,350	8.85
1990	10,539	-1.14	453,060	1.22	7,730,188	4.96

Source: United States Department of Commerce, Bureau of the Census

Largest Taxpayers

The ten largest taxpayers in the Borough and their assessed valuations are listed below:

<u>Taxpayers</u>	<u>2023 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Chemours Company FC, LLC	\$30,857,500	2.60%
UB Pompton Lake I, LLC	10,800,000	0.91%
Aldrich 9 Apt. LLC & Park36 Apt. LLC	9,774,200	0.82%
Ocean Lake Realty, LLC	5,613,800	0.47%
K & A Associates, LLC	4,948,400	0.42%
Cape Realty, LLC	4,384,900	0.37%
Tresenfeld	3,210,900	0.27%
Valbruna Stainless Inc.	2,850,000	0.24%
Landolina Investment Co. LLP	2,595,800	0.22%
YS Wanaque, LLC	<u>2,250,700</u>	<u>0.19%</u>
Total	<u>\$77,286,200</u>	<u>6.50%</u>

Source: Comprehensive Annual Financial Report of the School District and Municipal Tax Assessor

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2023U	\$45,611,130	\$45,260,666	99.23%
2022	45,361,370	44,823,124	98.81%
2021	44,850,511	44,421,166	99.04%
2020	45,054,582	44,563,932	98.91%
2019	44,170,238	43,601,712	98.71%

U: Unaudited
Source: Annual Audit Reports of the Borough and 2023 Annual Financial Statement

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2023U	\$230,754	\$281,228	\$511,982	1.12%
2022	241,545	483,572	725,117	1.60%
2021	227,436	319,868	547,304	1.22%
2020	215,988	446,805	662,792	1.47%
2019	233,849	434,147	667,996	1.51%

U: Unaudited
Source: Annual Audit Reports of the Borough and 2023 Annual Financial Statement

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2023U	\$318,075
2022	318,075
2021	318,075
2020	318,075
2019	318,075

U: Unaudited
Source: Annual Audit Reports of the Borough and 2023 Annual Financial Statement

Tax Rates per \$100 of Net Valuations Taxable and Allocations

The table below lists the tax rates for Borough residents for the past five (5) years.

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>	<u>Total</u>
2023	\$0.940	\$2.173	\$0.722	\$3.835
2022	0.921	2.163	0.722	3.806
2021	0.909	2.146	0.710	3.765
2020	0.900	2.140	0.717	3.757
2019	0.710	2.070	0.889	3.669

Source: Abstract of Ratables and State of New Jersey – Property Taxes

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2023	\$1,188,843,200	\$1,721,713,541	69.05%	\$0	1,721,713,541
2022	1,190,101,800	1,536,011,616	77.48	0	1,536,011,616
2021	1,190,289,700	1,357,538,435	87.68	0	1,357,538,435
2020	1,198,466,000	1,278,091,074	93.77	0	1,278,091,074
2019	1,202,748,700	1,267,919,777	94.86	0	1,267,919,777

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

Classification of Ratables

The table below lists the comparative assessed valuation for each classification of real property within the Borough for the past five (5) years.

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2023	\$4,971,100	\$1,019,197,500	\$0	\$102,620,300	\$36,576,100	\$25,478,200	\$1,188,843,200
2022	4,136,000	1,018,770,900	0	105,140,600	36,576,100	25,478,200	1,190,101,800
2021	4,006,000	1,018,905,000	0	103,982,400	37,418,100	25,978,200	1,190,289,700
2020	4,220,300	1,019,610,500	0	111,238,900	37,418,100	25,978,200	1,198,466,000
2019	3,961,100	1,021,299,700	0	114,091,600	37,418,100	25,978,200	1,202,748,700

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

Financial Operations

The following table summarizes the Borough's Current Fund budget for the past five (5) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Fund Balance Utilized	\$1,200,000	\$1,600,000	\$1,750,000	\$1,950,000	\$1,950,000
Miscellaneous Revenues	2,072,327	2,018,512	2,246,382	2,944,463	3,169,422
Receipts from Delinquent Taxes	430,000	430,000	317,069	418,000	350,000
Amount to be Raised by Taxation	<u>10,677,970</u>	<u>10,721,405</u>	<u>10,836,511</u>	<u>11,052,877</u>	<u>11,487,377</u>
Total Revenue:	<u>\$14,380,296</u>	<u>\$14,769,917</u>	<u>\$15,149,962</u>	<u>\$16,365,341</u>	<u>\$16,956,799</u>
<u>Appropriations</u>					
General Appropriations	\$11,388,864	\$11,723,804	\$12,185,952	\$12,634,647	\$13,297,621
Operations (Excluded from CAPS)	1,133,957	1,177,098	1,095,890	1,188,057	1,389,033
Deferred Charges and Statutory Expenditures	66,022	60,000	0	0	40,000
Judgments	0	0	0	0	0
Capital Improvement Fund	180,000	180,000	180,000	497,472	175,000
Municipal Debt Service	841,453	849,015	898,120	1,255,165	1,261,000
Reserve for Uncollected Taxes	<u>770,000</u>	<u>780,000</u>	<u>790,000</u>	<u>790,000</u>	<u>794,145</u>
Total Appropriations:	<u>\$14,380,296</u>	<u>\$14,769,917</u>	<u>\$15,149,962</u>	<u>\$16,365,341</u>	<u>\$16,956,799</u>

Source: Annual Adopted Budgets of the Borough

Fund Balance

Current Fund

The following table lists the Borough's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2023U	\$5,001,299	\$1,950,000
2022	5,038,728	1,950,000
2021	4,962,277	1,750,000
2020	4,490,866	1,600,000
2019	3,842,548	1,200,000

U: Unaudited

Source: Annual Audit Reports of the Borough and 2023 Annual Financial Statement

Borough Indebtedness as of December 31, 2023

General Purpose Debt

Serial Bonds	\$8,900,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	2,501,615
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$11,401,615

Local School District Debt

Serial Bonds	\$355,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>5,713,890</u>
Total:	\$6,068,890

Self-Liquidating Debt

Serial Bonds	\$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$0

TOTAL GROSS DEBT

\$17,470,505

Less: Statutory Deductions

General Purpose Debt	\$0
Local School District Debt	6,068,890
Self-Liquidating Debt	<u>0</u>
Total:	\$6,068,890

TOTAL NET DEBT

\$11,401,615

Source: Annual Debt Statement of the Borough

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Overlapping Debt (as of December 31, 2023)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Local School District	\$6,068,890	100.00%	\$6,068,890
Pompton Lakes Municipal Utilities Authority (2022) County	3,213,333	100.00%	3,213,333
	450,941,723	2.42%	<u>10,926,174</u>
Net Indirect Debt			\$20,208,397
Net Direct Debt			<u>11,401,615</u>
Total Net Direct and Indirect Debt			<u>\$31,610,012</u>

Debt Limit

Average Equalized Valuation Basis (2021, 2022, 2023)	\$1,538,421,197
Permitted Debt Limitation (3 1/2%)	53,844,742
Less: Net Debt	<u>11,401,615</u>
Remaining Borrowing Power	<u>\$42,443,127</u>
Percentage of Net Debt to Average Equalized Valuation	0.741%
Gross Debt Per Capita based on 2020 population of 10,874	\$1,607
Net Debt Per Capita based on 2020 population of 10,874	\$1,049

Source: Annual Debt Statement of the Borough

² Borough percentage of County debt is based on the Borough's share of total equalized valuation in the County.

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APPENDIX B

**Financial Statements of The Board of Education of the
Borough of Pompton Lakes
in the County of Passaic, New Jersey**

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WIELKOTZ & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of the Board of Education
Borough of Pompton Lakes School District
County of Passaic, New Jersey

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Board of Education of the Borough of Pompton Lakes School District, in the County of Passaic, State of New Jersey, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Borough of Pompton Lakes Board of Education, in the County of Passaic, State of New Jersey, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pompton Lakes Board of Education and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pompton Lakes Board of Education's ability to continue as a going concern for the next twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey and Government Auditing Standards, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with generally accepted auditing standards, audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pompton Lakes Board of Education's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pompton Lakes Board of Education's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, Schedules Related to Accounting and Reporting for Pensions, and Other Post Employment Benefits identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Honorable President and
Members of the Board of Education
Page 4.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Pompton Lakes Board of Education's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical data section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Honorable President and
Members of the Board of Education
Page 5.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2023 on our consideration of the Borough of Pompton Lakes Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pompton Lakes Board of Education's internal control over financial reporting and compliance.

James Cerullo

James Cerullo, C.P.A.
Licensed Public School Accountant
No. 881

Wielkocz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

November 22, 2023

**REQUIRED SUPPLEMENTARY
INFORMATION - PART I**

**BOROUGH OF POMPTON LAKES SCHOOL DISTRICT
POMPTON LAKES, NJ**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

As management of the Borough of Pompton Lakes Board of Education (the “School District”), we offer readers of the School District’s financial statements this narrative overview and analysis of the financial activities of Borough of Pompton Lakes Board of Education for the fiscal year ended June 30, 2023.

The management’s discussion and analysis is provided at the beginning of the audit to provide an overall review of the past and current position of the School District’s financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the School District’s revenues and expenditures by program for the General Fund, Special Revenue Fund, Debt Service Fund and Enterprise Fund.

FINANCIAL HIGHLIGHTS

In total, net position increased \$3,942,374.75, which represents an 40.43% increase from 2022. Net position of governmental activities increased \$3,900,840.16 while net position of business-type activity increased by \$41,534.59. These variances are primarily the result of excess miscellaneous revenues and unexpended budget appropriations, decrease in net pension liability, and changes in compensated absences in 2022-23 and increase service charges of the business-type activities.

1. General revenues accounted for \$43,225,383.71 in revenue or 93.00 percent of all district revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,251,958.29 or 7.00 percent of total revenues of \$46,477,342.00
2. The School District had \$41,862,103.78 in expenses related to governmental activities; only \$2,543,239.44 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily grants, entitlements and property taxes) of \$43,219,704.50 were adequate to provide for these programs.

USING THIS ANNUAL REPORT

This discussion and analysis are intended to serve as an introduction to the Borough of Pompton Lakes Board of Education’s basic financial statements. The Borough of Pompton Lakes Board of Education’s basic financial statements are comprised of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**BOROUGH OF POMPTON LAKES BOARD OF EDUCATION
POMPTON LAKES, NJ**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(CONTINUED)**

USING THIS ANNUAL REPORT, (continued)

District-Wide Financial Statements

The *district-wide financial statements* are designed to provide readers with a broad overview of the Borough of Pompton Lakes Board of Education's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Borough of Pompton Lakes Board of Education's position and liabilities using the accrual basis of accounting, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Borough of Pompton Lakes Board of Education is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the district-wide financial statements distinguish functions of the Borough of Pompton Lakes Board of Education that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Borough of Pompton Lakes Board of Education include instruction, support services and special schools. The business-type activities of the Borough of Pompton Lakes Board of Education include the food service program.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Borough of Pompton Lakes Board of Education, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of these funds of the Borough of Pompton Lakes Board of Education can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**BOROUGH OF POMPTON LAKES BOARD OF EDUCATION
POMPTON LAKES, NJ**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(CONTINUED)**

USING THIS ANNUAL REPORT, (continued)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflow of spendable resources*, as well as on balances of *spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Borough of Pompton Lakes Board of Education maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, capital projects and debt service fund which are all considered to be major funds.

The Borough of Pompton Lakes Board of Education adopts annual appropriated budgets for its governmental funds except for the capital projects fund. A budgetary comparison statement has been provided for the general fund, special revenue fund and debt service fund to demonstrate compliance with their budgets.

Proprietary Funds

The Borough of Pompton Lakes Board of Education maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the district-wide financial statements. The Borough of Pompton Lakes Board of Education uses enterprise funds to account for its food service program.

Proprietary funds provide the same type of information as the district-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the local district services operations.

**BOROUGH OF POMPTON LAKES BOARD OF EDUCATION
POMPTON LAKES, NJ**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(CONTINUED)**

USING THIS ANNUAL REPORT, (continued)

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the district-wide financial statements because the resources of those funds are *not* available to support the Borough of Pompton Lakes Board of Education's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The District does not have any fiduciary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary information for the District's major funds.

Our auditor has provided assurance in his independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplemental Information and the Supplemental Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the Financial Section.

DISTRICT-WIDE FINANCIAL ANALYSIS

The Statement of Net Position provides the perspective of the District as a whole. Net position may, over time, serve as a useful indicator of a government's financial position.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

**BOROUGH OF POMPTON LAKES BOARD OF EDUCATION
POMPTON LAKES, NJ**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(CONTINUED)**

DISTRICT-WIDE FINANCIAL ANALYSIS, (continued)

The School District's net positions were \$13,693,961.54 at June 30, 2023 and \$9,751,586.79 at June 30, 2022. Restricted items of net position are reported separately to show legal constraints that limit the School District's ability to use those items of net position for day-to-day operations. Our analysis below focuses on the net position for 2023 compared to 2022 (Table 1) and change in net position (Table 2) of the School District.

Table 1

**Net Position
June 30,**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current and Other Assets	\$12,091,793.43	\$10,197,495.06	\$662,512.91	\$609,289.73	\$12,754,306.34	\$10,806,784.79
Capital Assets	<u>11,409,364.80</u>	<u>10,734,243.80</u>	<u>116,958.64</u>	<u>62,317.91</u>	<u>11,526,323.44</u>	<u>10,796,561.71</u>
Total Assets	<u>23,501,158.23</u>	<u>20,931,738.86</u>	<u>779,471.55</u>	<u>671,607.64</u>	<u>24,280,629.78</u>	<u>21,603,346.50</u>
Deferred Outflows	<u>920,677.00</u>	<u>733,916.00</u>	_____	_____	<u>920,677.00</u>	<u>733,916.00</u>
Other Liabilities	2,084,759.07	1,733,470.15	212,295.13	145,965.81	2,297,054.20	1,879,435.96
Long Term Liabilities	<u>7,640,015.04</u>	<u>7,322,760.75</u>	_____	_____	<u>7,640,015.04</u>	<u>7,322,760.75</u>
Total Liabilities	<u>9,724,774.11</u>	<u>9,056,230.90</u>	<u>212,295.13</u>	<u>145,965.81</u>	<u>9,937,069.24</u>	<u>9,202,196.71</u>
Deferred Inflows	<u>1,570,276.00</u>	<u>3,383,479.00</u>	_____	_____	<u>1,570,276.00</u>	<u>3,383,479.00</u>
Net Position						
Invested in Capital Assets	9,850,331.76	8,578,367.05	116,958.64	62,317.91	9,967,290.40	8,640,684.96
Restricted	8,553,301.93	6,814,830.69			8,553,301.93	6,814,830.69
Unrestricted	<u>(5,276,848.57)</u>	<u>(6,167,252.78)</u>	<u>450,217.78</u>	<u>463,323.92</u>	<u>(4,826,630.79)</u>	<u>(5,703,928.86)</u>
Total Net Position	<u>\$13,126,785.12</u>	<u>\$9,225,944.96</u>	<u>\$567,176.42</u>	<u>\$525,641.83</u>	<u>\$13,693,961.54</u>	<u>\$9,751,586.79</u>

**BOROUGH OF POMPTON LAKES BOARD OF EDUCATION
POMPTON LAKES, NJ**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(CONTINUED)**

DISTRICT-WIDE FINANCIAL ANALYSIS, (continued)

Table 2 below shows the changes in net position for fiscal year 2023 compared to 2022.

**Table 2
Changes in Net Position
Year Ended June 30,**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues						
Program Revenues:						
Charges for Services and						
Sales	\$492,408.25	\$506,325.46	\$355,231.53	\$61,800.89	\$847,639.78	\$568,126.35
Operating Grants and						
Contributions	2,050,831.19	1,933,911.71	353,487.32	808,134.74	2,404,318.51	2,742,046.45
General Revenues:						
Taxes:						
Property taxes	25,602,529.00	25,863,333.00			25,602,529.00	25,863,333.00
Federal and State Aid not						
Restricted	14,451,527.98	14,036,460.80			14,451,527.98	14,036,460.80
Other Income	<u>3,165,647.52</u>	<u>2,831,017.34</u>	<u>5,679.21</u>	<u>351.13</u>	<u>3,171,326.73</u>	<u>2,831,368.47</u>
Total Revenues and Transfers	<u>\$45,762,943.94</u>	<u>\$45,171,048.31</u>	<u>\$714,398.06</u>	<u>\$870,286.76</u>	<u>\$46,477,342.00</u>	<u>\$46,041,335.07</u>

**BOROUGH OF POMPTON LAKES BOARD OF EDUCATION
POMPTON LAKES, NJ**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(CONTINUED)**

DISTRICT-WIDE FINANCIAL ANALYSIS, (continued)

Functions/Program	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Instruction:						
Regular	\$14,963,382.26	\$13,751,838.00			\$14,963,382.26	\$13,751,838.00
Special	4,461,871.17	3,949,809.83			4,461,871.17	3,949,809.83
Other Special Instruction	610,768.32	461,140.12			610,768.32	461,140.12
Other Instruction	892,547.69	740,995.50			892,547.69	740,995.50
Support Services:						
Tuition	1,770,078.98	1,394,860.07			1,770,078.98	1,394,860.07
Student & Instruction Related Services	5,815,967.03	5,599,699.52			5,815,967.03	5,599,699.52
School Administrative Services	1,889,073.14	1,807,718.04			1,889,073.14	1,807,718.04
General Administrative Services	632,470.80	538,565.55			632,470.80	538,565.55
Central Services and Info. Tech.	942,759.67	873,092.94			942,759.67	873,092.94
Plant Operations and Maintenance	3,060,143.90	2,746,176.84			3,060,143.90	2,746,176.84
Pupil Transportation	1,712,299.38	1,117,004.89			1,712,299.38	1,117,004.89
Unallocated Benefits	4,252,644.27	6,753,121.22			4,252,644.27	6,753,121.22
Unallocated depreciation	562,998.00	516,122.00			562,998.00	516,122.00
Interest on Long-Term Debt	14,864.81	22,086.95			14,864.81	22,086.95
Capital Outlay	142,152.45	73,330.71			142,152.45	73,330.71
Special Schools	138,081.91	103,697.24			138,081.91	103,697.24
Food Service	<u> </u>	<u> </u>	<u>672,863.47</u>	<u>633,162.29</u>	<u>672,863.47</u>	<u>633,162.29</u>
Total Expenses and Transfers	<u>41,862,103.78</u>	<u>40,449,259.42</u>	<u>672,863.47</u>	<u>633,162.29</u>	<u>42,534,967.25</u>	<u>41,082,421.71</u>
Increase or (Decrease) in Net Position	<u>\$3,900,840.16</u>	<u>\$4,721,788.89</u>	<u>\$41,534.59</u>	<u>\$237,124.47</u>	<u>\$3,942,374.75</u>	<u>\$4,958,913.36</u>

**BOROUGH OF POMPTON LAKES BOARD OF EDUCATION
POMPTON LAKES, NJ**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(CONTINUED)**

DISTRICT-WIDE FINANCIAL ANALYSIS, (continued)

As reported in the Statement of Activities the cost of all of our governmental and business-type activities this year was \$42,534,967.25. However, the amount that our taxpayers ultimately financed for these activities through School District taxes was only \$25,602,529.00 because some of the cost was paid by those who benefited from the programs \$847,639.78, by other governments and organizations who subsidized certain programs with grants and contributions \$2,404,318.51, and by miscellaneous sources \$17,622,854.71.

Revenues for the District's business-type activities (food service program) were comprised of charges for services and federal and state subsidy reimbursements. Significant financial results include the following:

- ✓ Food service revenues exceeded expenses by \$41,534.59.
- ✓ Charges for services provided totaled \$355,231.53. This represents amounts paid by consumers for daily food services.
- ✓ Federal and state reimbursement for meals served, including payments for free and reduced priced lunches, and donated commodities was \$353,487.32.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The School District's budgets are prepared according to New Jersey law, and are based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted funds are the general fund and the special revenue fund.

During the fiscal year ended June 30, 2023, the School District amended the budgets of these major governmental funds several times. Revisions in the budget were made to recognize revenues that were not anticipated and/or to prevent over-expenditures in specific line item accounts. Several of these revisions bear notation:

- TPAF, which is the state's contribution to the pension fund, is neither a revenue item nor an expenditures item to the district but is required to be reflected in the financial statements.
- The special revenue fund was increased by \$3,290,782.43 for increase in federal and local grant awards.

**BOROUGH OF POMPTON LAKES BOARD OF EDUCATION
POMPTON LAKES, NJ**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(CONTINUED)**

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS, (continued)

General Fund

The general fund actual revenue was \$46,023,062.19. That amount is \$9,666,390.19 above the final amended budget of \$36,356,672.00. The variance between the actual revenues and final budget was the result of non-budgeted on-behalf payments of \$8,656,856.47 for TPAF pension and social security reimbursements and \$1,009,533.72 for excesses in other anticipated revenues.

The actual expenditures of the general fund were \$44,250,164.50 including transfers which is \$4,792,525.15 above the final amended budget of \$39,457,639.35. The variance between the actual expenditures and final budget was due to non-budget on-behalf payments of \$8,656,856.47 for TPAF pension and social security reimbursements and \$3,864,331.32 of unexpended budgeted funds.

General fund had total revenues and other financing sources of \$46,023,062.19 and total expenditures of \$44,250,164.50 with an ending fund balance of \$11,140,491.95 on the budgetary basis of accounting.

Special Revenue Fund

The special revenue fund actual revenue was \$2,903,831.75. That amount is \$1,213,314.68 less than the final amended budget \$4,117,146.43.

The actual expenditures of the special revenue fund were \$2,872,694.18 which is \$1,244,452.25 less than the final amended budget of \$4,117,146.43.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2023 the School District had \$36,129,428.44 invested in sites, buildings and equipment. Of this amount, \$24,603,105.00 in depreciation has been taken over the years. We currently have a net book value of \$11,526,323.44. Total additions for the year were \$1,464,523.73, the majority of which was for facility improvements and various equipment. Table 3 shows fiscal year 2023 balances compared to 2022.

**BOROUGH OF POMPTON LAKES BOARD OF EDUCATION
POMPTON LAKES, NJ**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(CONTINUED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION, (continued)

**Table 3
Capital Assets at June 30,
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>20212</u>
Land	\$1,594,700.00	\$1,594,700.00			\$1,594,700.00	\$1,594,700.00
Construction in Progress		469,526.00			0.00	
Buildings and Improvements	8,948,366.80	8,103,735.80			8,948,366.80	8,103,735.80
Furniture, Equipment and Vehicles	<u>866,298.00</u>	<u>566,282.00</u>	<u>\$116,958.64</u>	<u>\$62,317.91</u>	<u>983,256.64</u>	<u>628,599.91</u>
	<u>\$11,409,364.80</u>	<u>\$10,734,243.80</u>	<u>\$116,958.64</u>	<u>\$62,317.91</u>	<u>\$11,526,323.44</u>	<u>\$10,796,561.71</u>

For more detailed information, please refer to the Notes to Basic Financial Statements.

Outstanding Long-Term Liabilities

At June 30, 2023, the District had \$7,640,015.04 of long-term liabilities. Of this amount, \$380,800.00 is for compensated absences; \$725,000.00 is for serial bonds for school construction, \$834,033.04 is for financed purchases and \$5,700,182.00 is for net pension liability.

**Table 4
Outstanding Serial Bonds at June 30,**

	<u>2023</u>	<u>2022</u>
2017 School Refunding Bonds	<u>\$725,000.00</u>	<u>\$1,100,000.00</u>
Total	<u>\$725,000.00</u>	<u>\$1,100,000.00</u>

**BOROUGH OF POMPTON LAKES BOARD OF EDUCATION
POMPTON LAKES, NJ**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(CONTINUED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION, (continued)

Factors Bearing on the District's Future Revenue/Expense Changes

At the time these financial statements were prepared and audited, the District was aware of two existing circumstances that could significantly affect its financial health in the future:

- Significant increases for most District insurance policies.
- Continued fiscal problems at the state level which could affect future state aid revenue.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Angela Spasevski, School Business Administrator/Board Secretary at Borough of Pompton Lakes Board of Education, 237 Van Avenue, Pompton Lakes, NJ, 07442.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOROUGH OF POMPTON LAKES SCHOOL DISTRICT
Statement of Net Position
June 30, 2023

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	3,748,579.46	567,990.38	4,316,569.84
Receivables, net	1,639,385.90	82,694.90	1,722,080.80
Inventory		11,827.63	11,827.63
Restricted Assets:			
Cash and Cash Equivalents	6,703,828.07		6,703,828.07
Capital Assets:			
Land and Construction in Progress	1,594,700.00		1,594,700.00
Other Capital Assets, net	9,814,664.80	116,958.64	9,931,623.44
Total Assets	<u>23,501,158.23</u>	<u>779,471.55</u>	<u>24,280,629.78</u>
DEFERRED OUTFLOWS			
Deferred Outflows of Resources Related to PERS - Pension	<u>920,677.00</u>		<u>920,677.00</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	1,266,709.71	141,201.86	1,407,911.57
Reserve for Unemployment Claims	36,595.17		36,595.17
Payroll Deductions and Withholdings Payable	695,246.74		695,246.74
Unearned Revenue	86,207.45	71,093.27	157,300.72
Noncurrent Liabilities:			
Due within one year	599,213.34		599,213.34
Due beyond one year	7,040,801.70		7,040,801.70
Total Liabilities	<u>9,724,774.11</u>	<u>212,295.13</u>	<u>9,937,069.24</u>
DEFERRED INFLOWS			
Deferred Inflows of Resources Related to PERS - Pension	<u>1,570,276.00</u>		<u>1,570,276.00</u>
NET POSITION			
Invested in Capital Assets	9,850,331.76	116,958.64	9,967,290.40
Restricted for:			
Debt Service	179.00		179.00
Capital Projects	4,535,525.65		4,535,525.65
Other Purposes	4,017,597.28		4,017,597.28
Unrestricted (Deficit)	(5,276,848.57)	450,217.78	(4,826,630.79)
Total Net Position	<u>13,126,785.12</u>	<u>567,176.42</u>	<u>13,693,961.54</u>

See Accompanying Notes to Financial Statements.

BOROUGH OF POMPTON LAKES SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	12,345,561.12	2,617,821.14		1,322,566.34	(13,640,815.92)		(13,640,815.92)
Special Education	3,616,283.50	845,587.67			(4,461,871.17)		(4,461,871.17)
Other Special Instruction	488,001.43	122,766.89			(610,768.32)		(610,768.32)
Other Instruction	764,701.18	127,846.51			(892,547.69)		(892,547.69)
Support services:							
Tuition	1,770,078.98	-			(1,770,078.98)		(1,770,078.98)
Student & Instruction Related Services	4,914,820.91	901,146.12	492,408.25 *	607,997.85	(4,715,560.93)		(4,715,560.93)
School Administrative Services	1,510,416.56	378,656.58			(1,889,073.14)		(1,889,073.14)
General Administrative Services	551,177.53	81,293.27			(632,470.80)		(632,470.80)
Central Services & Admin. Info. Technology	761,214.89	181,544.78			(942,759.67)		(942,759.67)
Plant Operations and Maintenance	2,731,352.55	328,791.35			(3,060,143.90)		(3,060,143.90)
Pupil Transportation	1,670,264.37	42,035.01			(1,712,299.38)		(1,712,299.38)
Unallocated Benefits	4,252,644.27	-			(4,252,644.27)		(4,252,644.27)
Special Schools	138,081.91	-			(138,081.91)		(138,081.91)
Capital Outlay - Non-depreciable	142,152.45	-			(142,152.45)		(142,152.45)
Interest on Long-term Debt	14,864.81	-		120,267.00	105,402.19		105,402.19
Unallocated Depreciation	562,998.00	-			(562,998.00)		(562,998.00)
Total Governmental Activities	36,234,614.47	5,627,489.31	492,408.25	2,050,831.19	(39,318,864.34)	-	(39,318,864.34)
Business-type Activities:							
Food Service	672,863.47		355,231.53	353,487.32		35,855.38	35,855.38
Total Business-type Activities	672,863.47		355,231.53	353,487.32		35,855.38	35,855.38
Total Primary Government	36,907,477.94		847,639.78	2,404,318.51	(39,318,864.34)		(39,283,008.96)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					25,330,458.00		25,330,458.00
Taxes Levied for Debt Service					272,071.00		272,071.00
Federal and State Aid not Restricted					14,451,527.98		14,451,527.98
Tuition					2,467,218.75		2,467,218.75
Rental Income					38,018.75		38,018.75
Investment Earnings					-	5,679.21	5,679.21
Miscellaneous Income					175,386.59		175,386.59
Other Restricted Miscellaneous Revenues					4,164.12		4,164.12
Federal and State Aid - Capital Outlay					480,859.31		480,859.31
Total General Revenues, Special Items, Extraordinary Items and Transfers					43,219,704.50	5,679.21	43,225,383.71
Change in Net Position					3,900,840.16	41,534.59	3,942,374.75
Net Position—Beginning					9,225,944.96	525,641.83	9,751,586.79
Net Position—Ending					13,126,785.12	567,176.42	13,693,961.54

See Accompanying Notes to Financial Statements.

* Student activity revenue is reported as "charges for services".

FUND FINANCIAL STATEMENTS

BOROUGH OF POMPTON LAKES SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	3,748,400.46		179.00	3,748,579.46
Interfund Receivables	177,721.56			177,721.56
Receivables from Other Governments	1,087,995.68	535,112.00		1,623,107.68
Other Receivables	13,048.71	3,229.51		16,278.22
Restricted Cash and Cash Equivalents	6,470,744.99	233,083.08		6,703,828.07
Total Assets	<u>11,497,911.40</u>	<u>771,424.59</u>	<u>179.00</u>	<u>12,269,514.99</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	464,407.54	275,612.50		740,020.04
Payroll Deductions and Withholdings Payable	695,246.74			695,246.74
Reserve for Unemployment Claims	36,595.17			36,595.17
Interfund Payables		177,721.56		177,721.56
Unearned Revenue	1,200.00	85,007.45		86,207.45
Total Liabilities	<u>1,197,449.45</u>	<u>538,341.51</u>		<u>1,735,790.96</u>
Fund Balances:				
Restricted for:				
Excess Surplus -- Current Year	752,645.05			752,645.05
Excess Surplus -- Designated for Subsequent Year's Expenditures	1,126,900.31			1,126,900.31
Capital Reserve Account	4,535,525.65			4,535,525.65
Maintenance Reserve Account	1,498,829.00			1,498,829.00
Unemployment Compensation	406,139.84			406,139.84
Student Activities		233,083.08		233,083.08
Debt Service			179.00	179.00
Assigned to:				
Other Purposes	1,325,657.94			1,325,657.94
Unassigned:				
General Fund	654,764.16			654,764.16
Total Fund Balances	<u>10,300,461.95</u>	<u>233,083.08</u>	<u>179.00</u>	<u>10,533,724.03</u>
Total Liabilities and Fund Balances	<u>11,497,911.40</u>	<u>771,424.59</u>	<u>179.00</u>	

Amounts reported for governmental activities in the statement of Net Position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$35,697,828.80 and the accumulated depreciation is \$24,288,464.00 11,409,364.80

Accrued liability for interest on long-term debt is not due and payable in the current period and is not reported as a liability in the funds. (4,591.67)

Accounts Payable for subsequent Pension payment is not a payable in the funds (522,098.00)

Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.
Deferred Outflows of Resources Related to PERS Pension Liability 920,677.00

Deferred Inflows of Resources Related to PERS Pension Liability (1,570,276.00)

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. (7,640,015.04)

Net Position of governmental activities 13,126,785.12

See Accompanying Notes to Financial Statements.

BOROUGH OF POMPTON LAKES SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local Sources:				
Local Tax Levy	25,330,458.00		272,071.00	25,602,529.00
Tuition Charges - Individuals	18,400.00			18,400.00
Tuition Charges - Other LEAs	2,448,818.75			2,448,818.75
Rental Income	38,018.75			38,018.75
Restricted Miscellaneous Revenues - (Unemployment Non-budgeted)	4,164.12			4,164.12
Miscellaneous	175,386.59	555,322.75 *		730,709.34
Total - Local Sources	28,015,246.21	555,322.75	272,071.00	28,842,639.96
State Sources	17,754,140.47	6,653.00	120,267.00	17,881,060.47
Federal Sources	35,962.51	2,341,856.00		2,377,818.51
Total Revenues	45,805,349.19	2,903,831.75	392,338.00	49,101,518.94
EXPENDITURES				
Current:				
Regular Instruction	11,038,705.68	1,322,566.34		12,361,272.02
Special Education Instruction	3,616,283.50			3,616,283.50
Other Special Instruction	488,001.43			488,001.43
Other Instruction	764,701.18			764,701.18
Support Services and Undistributed Costs:				
Tuition	1,770,078.98			1,770,078.98
Student & Instruction Related Services	3,854,469.38	1,069,268.53 **		4,923,737.91
School Administrative Services	1,519,333.56			1,519,333.56
General Administrative Services	551,177.53			551,177.53
Central Services & Admin. Info. Technology	770,131.89			770,131.89
Plant Operations and Maintenance	2,910,734.37			2,910,734.37
Pupil Transportation	1,670,264.37			1,670,264.37
Unallocated Benefits	14,109,122.58			14,109,122.58
Special Schools	138,081.91			138,081.91
Capital Outlay	1,049,078.14	480,859.31		1,529,937.45
Debt Service:				
Principal			375,000.00	375,000.00
Interest and Other Charges			17,239.81	17,239.81
Total Expenditures	44,250,164.50	2,872,694.18	392,239.81	47,515,098.49
Excess (Deficiency) of Revenues Over Expenditures	1,555,184.69	31,137.57	98.19	1,586,420.45
Net Change in Fund Balances	1,555,184.69	31,137.57	98.19	1,586,420.45
Fund Balance (Deficit)—July 1	8,745,277.26	201,945.51	80.81	8,947,303.58
Fund Balance (Deficit)—June 30	10,300,461.95	233,083.08	179.00	10,533,724.03

* Special Revenue Fund now includes revenues from student activities.

** Special Revenue Fund now includes expenditures from student activities.

See Accompanying Notes to Financial Statements.

BOROUGH OF POMPTON LAKES SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2023

Total net change in fund balances - governmental funds (from B-2) 1,586,420.45

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation Expense	(712,664.00)	
Depreciable Capital Outlays	<u>1,387,785.00</u>	675,121.00

Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of Net Position and is not reported in the statement of activities.

In the current year, these amounts consist of:

Bond Principal	375,000.00
Financed Purchases Principal	221,843.71

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest net adjustment in the reconciliation.

2,375.00

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

(Increase)/Decrease in Compensated Absences Payable	(53,080.00)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

District pension contributions are reported as expenditures in the governmental funds when made.

However, per GASB No. 68 they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

District Pension Contributions	476,312.00	
Less: Pension Expense	<u>(616,848.00)</u>	
(Increase)/Decrease in Pension Expense		1,093,160.00

Per GASB No. 68 Non-employer contributing entities are required to record an increases in revenue and expense for On-behalf TPAF pension payments paid by the State of New Jersey on the Statement of Activities that are in excess of those amounts reported in the fund financial statements

Increase/(Decrease) in On-behalf State Aid TPAF Pension	(3,967,905.00)
(Increase)/Decrease in On-behalf TPAF Pension Expense	3,967,905.00

Per GASB No. 75 Non-employer contributing entities are required to record an increases in revenue and expense for On-behalf TPAF post retirement medical payments paid by the State of New Jersey on the Statement of Activities that are in excess of those amounts reported in the fund financial statements

Increase in On-behalf State Aid TPAF Post Employment Medical Revenue	629,330.00
(Increase) in On-behalf State Aid TPAF Post Employment Medical Expense	(629,330.00)

Change in Net Position of governmental activities	<u><u>3,900,840.16</u></u>
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See Accompanying Notes to Financial Statements.

BOROUGH OF POMPTON LAKES SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2023

	Business-Type Activities - Enterprise Fund
	Food Service Program
 ASSETS	
Current Assets:	
Cash and Cash Equivalents	567,990.38
Accounts Receivable:	
State	1,735.36
Federal	80,959.54
Inventories	11,827.63
Total Current Assets	662,512.91
Noncurrent Assets:	
Capital Assets:	
Equipment	431,599.64
Less Accumulated Depreciation	(314,641.00)
Total Capital Assets (Net of Accumulated Depreciation)	116,958.64
Total Assets	779,471.55
 LIABILITIES	
Current Liabilities:	
Accounts Payable	141,201.86
Deferred Revenue	71,093.27
Total Current Liabilities	212,295.13
Total Liabilities	212,295.13
 NET POSITION	
Invested in Capital Assets Net of Related Debt	116,958.64
Unrestricted	450,217.78
Total Net Position	567,176.42

See Accompanying Notes to Financial Statements.

BOROUGH OF POMPTON LAKES SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	<u>Business-Type Activities - Enterprise Fund Food Service Program</u>
Operating Revenues:	
Charges for Services:	
Daily Sales - Reimbursable Programs	230,186.75
Daily Sales - Non-Reimbursable Programs	122,722.58
Miscellaneous Program Fees	2,322.20
Total Operating Revenues	<u>355,231.53</u>
Operating Expenses:	
Cost of sales-reimbursable programs	254,747.59
Cost of sales-non-reimbursable programs	60,772.23
Salaries, Benefits and Payroll Taxes	273,810.38
Supplies and Materials	8,596.98
Purchased Professional Services	11,793.50
Cleaning Repair & Maintenance	32,969.34
Purchased Services	8,075.45
Depreciation	22,098.00
Total Operating Expenses	<u>672,863.47</u>
Operating Income (Loss)	<u>(317,631.94)</u>
Nonoperating Revenues (Expenses):	
State Sources:	
State School Lunch Program	9,211.47
State School Breakfast Program	283.20
Federal Sources:	
National School Lunch Program	192,977.62
National School Breakfast Program	14,146.62
HHFKA	7,717.60
Supply Chain Assistance Grant	68,584.17
P-EBT Administrative Cost Reimbursement	653.00
Food Distribution Program	59,913.64
Interest and Investment Revenue	5,679.21
Total Nonoperating Revenues (Expenses)	<u>359,166.53</u>
Income (Loss) Before Contributions & Transfers	41,534.59
Transfers In (Out)	
Change in Net Position	<u>41,534.59</u>
Total Net Position—Beginning	<u>525,641.83</u>
Total Net Position—Ending	<u><u>567,176.42</u></u>

See Accompanying Notes to Financial Statements.

BOROUGH OF POMPTON LAKES SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	<u>Business-Type Activities - Enterprise Fund Food Service Program</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	352,319.76
Payments to Suppliers	(8,596.98)
Payments for Miscellaneous Expenses	(35,258.34)
Payments to Food Service Management Company	(504,285.56)
Net Cash Provided by (Used for) Operating Activities	<u>(195,821.12)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Sources	9,005.77
Federal Sources	333,202.71
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>342,208.48</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(76,738.73)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(76,738.73)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	5,679.21
Net Cash Provided by (Used for) Investing Activities	<u>5,679.21</u>
Net Increase (Decrease) in Cash and Cash Equivalents	75,327.84
Balances—Beginning of Year	492,662.54
Balances—End of Year	<u><u>567,990.38</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	(317,631.94)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Depreciation and Net Amortization	22,098.00
Food Distribution Program Donated Commodities	59,913.64
(Increase) Decrease in Inventories	(504.22)
Increase (Decrease) in Accounts Payable	43,215.17
Increase (Decrease) in Other Current Liabilities	(2,911.77)
Total Adjustments	<u>121,810.82</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>(195,821.12)</u></u>

See Accompanying Notes to Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Board of Education of the Borough of Pompton Lakes School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the board's accounting policies are described below.

A. Description of the School District and Reporting Entity:

The Board of Education ("Board") of the Borough of Pompton Lakes School District ("District") is an instrumentality of the State of New Jersey, established to function as an educational institution. The Borough of Pompton Lakes School District is a Type II district located in the County of Passaic, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms, plus one member from Riverdale, representing their sending relationship to Pompton Lakes High School. The purpose of the District is to educate students in grades K-12. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include elementary schools, a middle school and a high school, located in the Borough of Pompton Lakes. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. Basis of Presentation:

The Board's basic financial statements consist of District-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

District-wide Financial Statements:

The statement of net position and the statement of activities display information about the Board as a whole. These statements include the financial activities of the overall District, except for the fiduciary funds. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the Board at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the governmental activities and for the business-type activities of the Board. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Board, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Board.

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models. The various funds of the Board are grouped into the categories governmental, proprietary and fiduciary.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. Basis of Presentation: (continued)

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the Board are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Board's governmental funds:

General Fund - The General Fund is the general operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, the Board includes budgeted Capital Outlay in this fund. Accounting principles generally accepted in the United States of America as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, District taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from sale of bonds, lease purchases and other revenues.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. Basis of Presentation: (continued)

PROPRIETARY FUNDS

The focus of Proprietary Fund measurement is upon determination of net income, changes in net position, financial position and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. Proprietary funds are classified as enterprise or internal service; the Board has no internal service funds. The following is a description of the Proprietary Funds of the Board:

Enterprise Funds - The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the Board is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the Board has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Board's Enterprise Fund is comprised of the Food Service Fund.

FIDUCIARY FUNDS

Fiduciary Fund - Fiduciary Fund reporting focuses on net position and changes in net position. The Fiduciary Funds are used to account for assets held by the Board on behalf of individuals, private organizations, other governments and/or other funds. The District does not have any activities that are required to be included in the Fiduciary Fund.

C. Measurement Focus:

District-wide Financial Statements

The District-wide statements (i.e., the statement of net position and the statement of activities) are prepared using the economic resources measurements focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the Board are included on the statement of net position, except for fiduciary funds.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. Measurement Focus: (continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the District-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the District-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Board finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting:

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The District-wide financial statements and the financial statements of the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. Basis of Accounting: (continued)

Revenues - Exchange and Non-exchange Transactions, (continued)

Nonexchange transactions, in which the Board receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Board must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under GAAP, in accordance with GASB No. 33, Accounting and Financial Reporting for Nonexchange Transactions, the last state aid payment is not considered revenue to the school district if the state has not recorded the corresponding expenditure, even though state law dictates recording the revenue.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: ad valorem property taxes, tuition, unrestricted grants and interest.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement of focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

E. Budgets/Budgetary Control:

Annual appropriated budgets are adopted in the spring of the preceding year for the general, and special revenue funds. The budgets are submitted to the county superintendents office for approval. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

E. Budgets/Budgetary Control: (continued)

accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2(g)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

F. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund, for which the Board has received advances, are reflected in the balance sheet as unearned revenues at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

G. Cash, Cash Equivalents and Investments:

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

Additionally, the Board has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

H. Tuition Revenues/Receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

I. Tuition Payable:

Tuition charges were established by the receiving district. The charges are subject to adjustment when the final costs have been determined.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

J. Inventories:

On District-wide financial statements, inventories are presented at cost, which approximates market on a first-in, first-out basis and are expensed when used.

On fund financial statements inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Inventories of proprietary funds consist of food and goods held for resale, as well as supplies, and are expensed when used.

K. Prepaid Items:

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

L. Short-Term Interfund Receivables/Payables:

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

M. Capital Assets:

General capital assets are those assets not specifically related to activities reported in the enterprise fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district -wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activity column of the District-wide statement of net position and in the fund.

All capital assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received. The capital assets acquired or constructed prior to June 30, 1993 are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair market value on the date received. The Board maintains a capitalization threshold of \$2,000.00. The Board does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

M. Capital Assets: (continued)

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activity Estimated Lives</u>
Sites and Improvements	20 years	N/A
Buildings and Improvements	7-50 years	N/A
Furniture, Equipment and Vehicles	5-20 years	5-20 years

N. Compensated Absences:

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Board and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Board and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

O. Unearned Revenue:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Unearned revenue in the special revenue fund represents cash that has been received but not yet earned. See Note 1(F) regarding the special revenue fund.

P. Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

P. Accrued Liabilities and Long-term Obligations: (continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds, long-term obligations, and capital leases that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Q. Accounting and Financial Reporting for Pensions:

In fiscal year 2015, the District implemented GASB 68. This Statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

The District has also implemented GASB Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Q. Accounting and Financial Reporting for Pensions: (continued)

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

R. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has only one item that qualifies for reporting in this category, deferred amounts related to pension.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies in this category, deferred amounts related to pension.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

S. Fund Balances:

Fund balance is divided into five classifications based primarily on the extent to which the Board is bound to observe constraints imposed upon the resources in the governmental funds. The classifications are as follows:

- **Nonspendable** fund balance includes amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact (the principal of an endowment fund, for example).
- **Restricted** fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- **Committed** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Board's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
- **Assigned** fund balance comprises amounts *intended* to be used by the Board for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- **Unassigned** fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

T. Net Position:

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

T. Net Position: (continued)

The Board applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted items of net position are available.

U. Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Board, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

V. Extraordinary and Special Items:

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence.

W. Allocation of Indirect Expenses:

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. TPAF on-behalf contributions and changes in compensated absences have not been allocated and have been reported as unallocated benefits on the Statement of Activities. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities as unallocated depreciation. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

X. Use of Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Y. New Accounting Standards:

During fiscal year 2023, the District adopted the following GASB Statement:

GASB Statement No. 96, *Subscription-Based Information Technology*, which improves financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS:

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 18A:20-37 that are treated as cash equivalents. As of June 30, 2023, \$0.00 of the District's bank balance of \$11,215,728.58 was exposed to custodial credit risk.

Investments

Investment Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 18A:20-37 limits the length of time for most investments to 397 days.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS: (continued)

Credit Risk

New Jersey Statutes 18A:20-37 limits school district investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the school districts or bonds or other obligations of the local unit or units within which the school district is located: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

NOTE 3. RECEIVABLES:

Receivables at June 30, 2023, consisted of accounts and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

	Governmental Fund Financial <u>Statements</u>	Enterprise Fund	District Wide Financial <u>Statements</u>
State Aid	\$905,901.78	\$1,735.36	\$907,637.14
Federal Aid	535,112.00	80,959.54	616,071.54
Tuition	182,093.90		182,093.90
Interfunds	177,721.56		
Other	<u>16,278.22</u>		<u>16,278.22</u>
Gross Receivables	1,817,107.46	82,694.90	1,722,080.80
Less: Allowance for Uncollectibles			
Total Receivables, Net	<u><u>\$1,817,107.46</u></u>	<u><u>\$82,694.90</u></u>	<u><u>\$1,722,080.80</u></u>

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 4. INTERFUND BALANCES AND ACTIVITY:

Balance due to/from other funds at June 30, 2023 consist of the following:

<u>\$177,721.56</u>	Due to General Fund from Special Revenue Fund for short term loan
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It is anticipated that all interfunds will be liquidated within the fiscal year.

NOTE 5. CAPITAL ASSETS:

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

	<u>Balance 6/30/22</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/23</u>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$1,594,700.00	\$	\$	\$1,594,700.00
Construction in Progress	<u>469,526.00</u>	<u> </u>	<u>(469,526.00)</u>	<u>0.00</u>
Total Capital Assets, Not Being Depreciated	<u>2,064,226.00</u>	<u>0.00</u>	<u>(469,526.00)</u>	<u>1,594,700.00</u>
Capital Assets Being Depreciated				
Buildings and Building Improvements	29,859,157.80	898,818.00	455,873.00	31,213,848.80
Machinery and Equipment	<u>2,423,052.00</u>	<u>488,967.00</u>	<u>(22,739.00)</u>	<u>2,889,280.00</u>
Totals at Historical Cost	<u>32,282,209.80</u>	<u>1,387,785.00</u>	<u>433,134.00</u>	<u>34,103,128.80</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(21,755,422.00)	(510,060.00)		(22,265,482.00)
Equipment	<u>(1,856,770.00)</u>	<u>(202,604.00)</u>	<u>36,392.00</u>	<u>(2,022,982.00)</u>
Total Accumulated Depreciation	<u>(23,612,192.00)</u>	<u>(712,664.00)</u>	<u>36,392.00</u>	<u>(24,288,464.00)</u>
Total Capital Assets, Being Depreciated, Net	<u>8,670,017.80</u>	<u>675,121.00</u>	<u>469,526.00</u>	<u>9,814,664.80</u>
Governmental Activities Capital Assets, Net	<u>\$10,734,243.80</u>	<u>\$675,121.00</u>	<u>\$0.00</u>	<u>\$11,409,364.80</u>

Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023

NOTE 5. CAPITAL ASSETS: (continued)

	<u>Balance</u> <u>6/30/22</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/23</u>
Business-Type Activities				
Equipment	\$378,397.91	\$76,738.73	\$(23,537.00)	\$431,599.64
Less Accumulated Depreciation:				
Equipment	<u>(316,080.00)</u>	<u>(22,098.00)</u>	<u>23,537.00</u>	<u>(314,641.00)</u>
<u>Business-Type Activities Capital Assets, Net</u>	<u>\$62,317.91</u>	<u>\$54,640.73</u>	<u>\$0.00</u>	<u>\$116,958.64</u>

Depreciation expense was charged governmental functions as follows:

Instruction - Regular	\$43,644.00
Student & Instruction Related Services	33,762.00
General Administrative Services	300.00
School Administrative Services	2,702.00
Transportation	18,996.00
Plant Operations and Maintenance	50,262.00
Unallocated Depreciation	<u>562,998.00</u>
Total Depreciation Expense	<u>\$712,664.00</u>

NOTE 6. LONG-TERM OBLIGATION ACTIVITY:

Changes in long-term obligations for the year ended June 30, 2023 were as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$1,100,000.00	\$ _____	(\$375,000.00)	\$725,000.00	\$370,000.00
Total Bonds Payable	<u>1,100,000.00</u>	<u>_____</u>	<u>(375,000.00)</u>	<u>725,000.00</u>	<u>370,000.00</u>
Other Liabilities:					
Compensated Absences Payable	327,720.00	140,580.00	(87,500.00)	380,800.00	
Financed Purchases Payable	1,055,876.75		(221,843.71)	834,033.04	229,213.34
Net Pension Liability	<u>4,839,164.00</u>	<u>861,018.00</u>	<u>_____</u>	<u>5,700,182.00</u>	<u>_____</u>
Total Other Liabilities	<u>6,222,760.75</u>	<u>1,001,598.00</u>	<u>(309,343.71)</u>	<u>6,915,015.04</u>	<u>229,213.34</u>
Total Governmental Activities	<u>\$7,322,760.75</u>	<u>\$1,001,598.00</u>	<u>(\$684,343.71)</u>	<u>\$7,640,015.04</u>	<u>\$599,213.34</u>

Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023

NOTE 6. LONG-TERM OBLIGATION ACTIVITY: (continued)

A. Bonds Payable

The Board issued General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets.

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds.

Outstanding bonds payable at June 30, 2023 consisted of the following:

<u>Issue</u>	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Date of Maturity</u>	<u>Principal Balance June 30, 2023</u>
\$2,235,000.00 Refunding School Bonds, Series 2017	10/20/2017	1.90%	9/1/2024	<u>\$725,000.00</u>

Principal and interest due on serial bonds outstanding is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$370,000.00	\$10,260.00	\$380,260.00
2025	<u>355,000.00</u>	<u>3,372.50</u>	<u>358,372.50</u>
	<u>\$725,000.00</u>	<u>\$13,632.50</u>	<u>\$738,632.50</u>

B. Bonds Authorized But Not Issued

As of June 30, 2023 the Board has no authorized but not issued bonds.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 6. LONG-TERM OBLIGATION ACTIVITY: (continued)

C. Financed Purchases Payable

The District has financed purchases agreements for school energy improvements, copiers and a dump truck. The following is a schedule of the future minimum financed purchases payments under the financed purchases agreements and the net minimum financed purchases payments at June 30, 2023:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$229,213.34	\$21,830.85	\$251,044.19
2025	116,738.50	14,705.42	131,443.92
2026	112,223.50	11,708.42	123,931.92
2027	115,268.22	8,663.70	123,931.92
2028	118,395.51	5,336.41	123,731.92
2029-2030	<u>142,193.97</u>	<u>2,393.27</u>	<u>144,587.24</u>
	<u>\$834,033.04</u>	<u>\$64,638.07</u>	<u>\$898,671.11</u>

All capital leases outstanding are presented on Schedule I-2 in this report.

NOTE 7. PENSION PLANS:

Description of Plans - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or reports can be accessed on the internet at: <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 7. PENSION PLANS: (continued)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 7. PENSION PLANS: (continued)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 7. PENSION PLANS: (continued)

Defined Contribution Retirement Program, (continued)

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Contributions Requirements Fund Based Statements

The Board's contribution to PERS AND DCRP, equal to the required contributions for each year as reported in the fund based statements, were as follows:

Year	<u>PERS</u>	<u>DCRP</u>
<u>Ending</u> 6/30/23	\$476,312.00	\$29,797.04
6/30/22	478,388.00	35,844.53
6/30/21	439,564.00	44,167.84

The State of New Jersey contribution to TPAF (paid on-behalf of the District) for normal and post retirement benefits have been included in the fund-based statements as revenues and expenditures in accordance with GASB 24, paragraphs 7 through 13, as follows:

Year	Pension	Post-Retirement Medical	NCGI	LTD
<u>Ending</u> 6/30/23	<u>Contributions</u> \$5,797,792.00	<u>Contributions</u> \$1,544,197.00	<u>Premium</u> \$80,438.00	<u>Liability</u> \$2,116.00
6/30/22	5,663,573.00	1,341,909.00	79,905.00	1,884.00
6/30/21	4,009,888.00	1,280,545.00	76,293.00	1,939.00

In addition, the post-retirement medical benefits are included in the district-wide financial statements.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$1,232,313.47 during the year ended June 30, 2023 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been included in the fund-based statements as revenues and expenditures in accordance with GASB 24, paragraphs 7 through 13.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 7. PENSION PLANS: (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-WIDE STATEMENTS PER - GASB NO. 68

Public Employees Retirement System (PERS)

At June 30, 2023, the District had a liability of \$5,700,182.00 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2022, the District's proportion was .0377711230 percent, which was a decrease of .0030777688 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized pension expense of \$(616,848.00). At June 30, 2023, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$17,661.00	\$853,543.00
Difference in actual and expected experience	41,141.00	36,281.00
Net difference between projected and actual earnings on pension plan investments	235,925.00	
Changes in proportion and differences between District contributions and proportionate share of contributions	103,852.00	680,452.00
District contributions subsequent to the measurement date	<u>522,098.00</u>	<u> </u>
Total	<u>\$920,677.00</u>	<u>\$1,570,276.00</u>

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 7. PENSION PLANS: (continued)

The \$522,098.00 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2023, the plan measurement date is June 30, 2022) will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2023	(\$488,956)
2024	(249,107)
2025	(121,484)
2026	265,033
2027	<u>(582)</u>
	<u>(\$595,096)</u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.04, 5.13, 5.16, 5.21, 5.63, 5.48 and 5.57 years for 2022, 2021, 2020, 2019, 2018, 2017 and 2016 amounts, respectively.

Additional Information

Local Group Collective balances net of nonemployer (State of New Jersey) balances at June 30, 2022 and June 30, 2021 are as follows:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Collective deferred outflows of resources	\$1,660,772,008	\$1,164,738,169
Collective deferred inflows of resources	3,236,303,935	8,339,123,762
Collective net pension liability	15,219,184,920	11,846,499,172
District's Proportion	.0377711230%	.0408488918%

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 7. PENSION PLANS: (continued)

Actuarial Assumptions

The collective total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which rolled forward to June 30, 2022. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	2.75-6.55% (based on years of service)
Investment Rate of Return	7.00 Percent

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non- Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement based on Scale MP-2021.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 7. PENSION PLANS: (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Market Equity	13.50%	8.38%
Emerging Market Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Assets	3.00%	7.60%
Real Estate	8.00%	11.19%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 7. PENSION PLANS: (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2022 calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	<u>June 30, 2022</u>		
	1% Decrease	At Current Discount Rate	1% Increase
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
District's proportionate share of the pension liability	\$7,323,065	\$5,700,182	\$4,319,044

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS).

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 7. PENSION PLANS: (continued)

Teachers Pensions and Annuity Fund (TPAF)

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

The portion of the TPAF Net Pension Liability that was associated with the District recognized at June 30, 2023 was as follows:

Net Pension Liability:	
District's proportionate share	\$ -0-
State's proportionate share associated with the District	<u>70,982,052</u>
	<u>\$70,982,052</u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2022, the proportion of the TPAF net pension liability associated with the District was 0.1375770049%.

For the year ended June 30, 2023, the District recognized on-behalf pension expense and revenue of \$1,910,325 for contributions provided by the State in the District-Wide Financial Statements.

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	2.75%-5.65% (based on years of service)
Investment Rate of Return	7.00%

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 7. PENSION PLANS: (continued)

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Health Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with a future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2020.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Market Equity	13.50%	8.38%
Emerging Market Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Assets	3.00%	7.60%
Real Estate	8.00%	11.19%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 7. PENSION PLANS: (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from will be based on 100% of the actuarially determined contributions for the State. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Because the District's proportionate share of the net pension liability is zero, consideration of potential changes in the discount rate is not applicable to the District.

NOTE 8. POST-RETIREMENT BENEFITS:

General Information about the OPEB Plan

State Health Benefit State Retired Employees Plan

The State Health Benefit State Retired Employees Plan (State Retired OPEB Plan) is a single-employer defined benefit OPEB plan with a special funding situation. The State Retired OPEB Plan is administered on a “pay-as-you-go” basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The State Required OPEB Plan covers the State, State colleges and universities, the Palisades Interstate Park Commission, and the New Jersey Building Authority (referred to collectively as “the employers”) for which the State is legally obligated to pay for benefits. The State Required OPEB Plan is treated as a cost-sharing multiple employer plan with a special funding situation for allocating the total OPEB liability and related OPEB amounts since each employer mentioned above is required to issue stand-alone financial statements. The State Retired OPEB Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and the covered dependents of the employees. The State also offers dental care to retirees, however, since dental benefits are completely paid for by the retirees, there is no OPEB liability for these benefits.

In accordance with N.J.S.A. 52:14-17.32, the State is required to pay the premium or periodic charges for health benefits of State employees who retire with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Judicial Retirement System (JRS), the State Police Retirement System (SPRS), the Teachers’ Pension and Annuity Fund (TPAF), the Public Employees’ Retirement System (PERS), the Police and Firemen’s Retirement System (PFRS), and the Alternate Benefit Program (ABP). In addition, N.J.S.A. 52:14-17.26 provides that for purposes of the State Retired OPEB

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 8. POST-RETIREMENT BENEFITS: (continued)

Plan, an employee of Rutgers, the State University of New Jersey, and New Jersey Institute of Technology shall be deemed to be an employee of the State. Further, P.L. 1966, c.302, addresses the other State colleges and universities, whereas while these institutions were provided autonomy from the State, their employees retained any and all rights to health benefits within the State Retired OPEB Plan and are therefore classified as State employees.

The State Health Benefit Local Education Retired Employees Plan (Local Education Retired OPEB Plan) is a multiple-employer defined benefit OPEB plan with a special funding situation. The Local Education Retired OPEB Plan is administered on a “pay-as-you-go” basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No.75. The Local Education Retired OPEB Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and the covered dependents of local education employees. The State also offers dental care to retirees, however since dental benefits are completely paid for by the retirees, there is no OPEB liability for these benefits.

The employer contributions for the participating local education employers are legally required to be funded by the State in accordance with N.J.S.A. 52:14-17.32f. According to this law, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: TPAF, PERS, PFRS, or ABP.

Pursuant to P.L. 2011, c.78, future retirees eligible for postemployment medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree’s annual retirement benefit and level of coverage.

The State is legally required to pay for the OPEB benefit coverage for the participating local education employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. The State, as a nonemployer contributing entity, reported a Fiscal Year 2022 total OPEB liability of \$50,646,462,966 for this special funding situation.

Total OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASB No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level for the State Health Benefit Local Education Retired Employee's Plan and is not specific to the board of education/board of trustees, and could be found at <https://www.state.nj.us/treasury/pensions/gasb-notices-OPEB.shtml>.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 8. POST-RETIREMENT BENEFITS: (continued)

The portion of the OPEB Liability that was associated with the District recognized at June 30, 2023 was as follows:

OPEB Liability:	
District's proportionate share	\$ -0-
State's proportionate share associated with the District	<u>59,578,904</u>
	<u>\$59,578,904</u>

Actual Assumptions and Other Imputes

The total OPEB liability in the June 30, 2022 actuarial valuation reported by the State in the State's Report of Total Nonemployer OPEB Liability for the State Health Benefit Local Education Retired Employee's Plan was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2022. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%	
	<u>TPAF/ABP</u>	<u>PERS</u>
Salary increases:	2.75 - 4.25%	2.75 - 6.55%
	based on service years	based on service years

Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP). "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 8. POST-RETIREMENT BENEFITS: (continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of the TPAF, PERS and PFRS actuarial experience studies prepared for July 1, 2018 to June 30, 2021.

(a) *Health Care Trend Assumptions*

For pre-Medicare medical benefits, the trend rate is initially 6.25% and decreases to a 4.50% long-term trend rate after eight years. For post-65 medical benefits PPO, the trend is initially -1.99% in fiscal year 2023, increasing to 13.44% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO the trend is initially -3.54% in fiscal year 2023, increasing to 15.19% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 8.00% and decreases to a 4.50% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

(b) *Discount Rate*

The discount rate for June 30, 2022 as 354 This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Discount Rate

Because the District's proportionate share of the OPEB liability is zero, consideration of potential changes in the discount rate is not applicable to the District.

Sensitivity of the Total Nonemployer OPEB Liability to Changes in the Healthcare Cost Trend Rates:

Because the District's proportionate share of the OPEB liability is zero, consideration of potential changes in the healthcare cost trend rates is not applicable to the District.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended June 30, 2023, the board of education/board of trustees recognized on-behalf OPEB expense of \$2,173,527 in the district-wide financial statements as determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75 and in which there is a special funding situation.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 8. POST-RETIREMENT BENEFITS: (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:
(continued)

In accordance with GASB No. 75, the Borough of Pompton Lakes School District proportionate share of school retirees OPEB is zero; therefore, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources.

NOTE 9. DEFERRED COMPENSATION:

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Met Life
AXA Equitable
Lincoln Investments
Vanguard
Edward Jones
TDS

NOTE 10. RISK MANAGEMENT:

The District is exposed to various risks of loss related to general liability, automobile coverage; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has obtained insurance coverage to guard against these events to minimize the exposure to the District should they occur.

Property and Liability Insurance

The School District is a member of the Pooled Insurance Program of New Jersey (the "PIP"). The PIP is a risk-sharing public entity risk pool that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the PIP are elected.

As a member of the PIP, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the PIP were to be exhausted, members would become responsible for their respective shares of the PIP's liabilities.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 10. RISK MANAGEMENT: (continued)

Property and Liability Insurance, (continued)

The PIP can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Government Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

Financial statements are available at the Administrators’ Office, as follows:

PIP

Burton Agency
44 Bergen Street
PO Box 270
Westwood, NJ 07675
201-664-0310

New Jersey Unemployment Compensation Insurance - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District’s for the current and previous two years.

<u>Fiscal Year</u>	<u>Interest Earnings/ District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2022-2023	\$4,164.12	\$36,491.08	\$38,868.32	\$442,735.01
2021-2022	451.33	34,077.74	1,317.00	440,948.13
2020-2021	569.00	44,477.87	38,266.20	407,736.06

NOTE 11. CAPITAL RESERVE ACCOUNT:

A capital reserve account was established by the Borough of Pompton Lakes Board of Education for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023

NOTE 11. CAPITAL RESERVE ACCOUNT: (continued)

Funds placed in the capital reserve account are restricted to capital projects in the district’s approved Long Range Facilities Plan (LRFP). A district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to *N.J.S.A. 19:60-2*. Pursuant to *N.J.A.C. 6A:23A-14.1(g)*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2022 to June 30, 2023 fiscal year is as follows:

Beginning balance, July 1, 2022	\$2,891,691.15
Deposit - Board Resolution June 13, 2023	<u>2,500,000.00</u>
	5,391,691.15
Budgeted Withdrawal	<u>856,165.50</u>
Ending balance, June 30, 2023	<u><u>\$4,535,525.65</u></u>

The balance in the capital reserve account at June 30, 2023 does not exceed the balance of local support costs of uncompleted capital projects in its LFRP. Withdrawals from the capital reserve, where applicable, are for use in a DOE approved facilities project, consistent with the District’s Long Range Facilities Plan.

NOTE 12. MAINTENANCE RESERVE ACCOUNT:

A maintenance reserve account was established by Board of Education resolution adopted June 30, 2012. The account is maintained in the general fund. The maintenance reserve account is used to accumulate funds for the required maintenance of a facility in accordance with the EFCRA (*N.J.S.A. 18A:7G-9*). EFCFA requires that upon district completion of a school facilities project, the district must submit a plan for the maintenance of that facility. All such plans must include a provision for a maintenance reserve fund. The activity of the maintenance reserve for the July 1, 2022 to June 30, 2023 fiscal year is as follows:

Beginning balance, July 1, 2022	\$1,498,829.00
Deposit - Board Resolution June 13, 2023	<u>123,932.00</u>
	1,622,761.00
Budgeted Withdrawal	<u>123,932.00</u>
Ending balance, June 30, 2023	<u><u>\$1,498,829.00</u></u>

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 13. FUND BALANCE APPROPRIATED:

General Fund [Exhibit B-1] - Of the \$10,300,461.95 General Fund fund balance at June 30, 2023, \$1,325,657.94 is reserved for encumbrances; \$1,879,545.36 is reserved as excess surplus in accordance with N.J.S.A. 18A:7F-7. Of this amount, \$1,126,900.31 has been appropriated and included as anticipated revenue for the year ended June 30, 2024; \$4,535,525.65 has been reserved in the Capital Reserve Account; \$1,498,829.00 has been reserved in the Maintenance Reserve Account; \$406,139.84 has been reserved for unemployment compensation; and \$654,764.16 is unreserved and undesignated.

Special Revenue Fund - Of the \$233,083.08 Special Revenue Fund fund balance at June 30, 2023, \$203,083.08 is reserved for student activities.

Debt Service Fund - Of the \$179.00 Debt Service Fund fund balance at June 30, 2023, \$179.00 is restricted for the payment of Debt Service.

NOTE 14. CALCULATION OF EXCESS SURPLUS:

In accordance with N.J.S.A. 18A:7F-7 as amended, the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2023 is \$1,879,545.36. Of this amount, \$752,645.05 is the result of the current year's operations and \$1,126,900.31 is the result of prior year operations.

NOTE 15. INVENTORY:

Inventory in the Food Service Fund at June 30, 2023 consisted of the following:

Food	\$5,459.44
Supplies	<u>6,368.19</u>
	<u>\$11,827.63</u>

The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by USDA. It is valued at estimated market prices by USDA. The amount of unused commodities at year end is reported on Schedule A as deferred revenue.

**Borough of Pompton Lakes School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 16. CONTINGENT LIABILITIES:

Grant Programs - The school district participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation - The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. The District estimates that any potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

NOTE 17. SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 22, 2023, the date which the financial statements were available to be issued and no additional items were noted for disclosure.

**REQUIRED SUPPLEMENTARY
INFORMATION - PART II**

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF POMPTON LAKES SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	25,330,458.00		25,330,458.00	25,330,458.00	
Tuition Charges - Individuals	23,000.00		23,000.00	18,400.00	(4,600.00)
Tuition Charges - Other LEAs	2,400,000.00		2,400,000.00	2,448,818.75	48,818.75
Rental Income	23,575.00		23,575.00	38,018.75	14,443.75
Interest Earned on Capital Reserve Funds	7,750.00		7,750.00		(7,750.00)
Interest Earned on Maintenance Reserve Funds	3,875.00		3,875.00		(3,875.00)
Restricted Miscellaneous Revenues - (Unemployment Non-budgeted)				4,164.12	4,164.12
Miscellaneous	12,500.00		12,500.00	175,386.59	162,886.59
Total - Local Sources	27,801,158.00		27,801,158.00	28,015,246.21	214,088.21
State Sources:					
Categorical Special Education Aid	953,729.00		953,729.00	953,729.00	
Equalization Aid	7,250,807.00		7,250,807.00	7,250,807.00	
Categorical Security Aid	43,115.00		43,115.00	43,115.00	
School Choice Aid	108,380.00		108,380.00	108,380.00	
Categorical Transportation Aid	176,038.00		176,038.00	176,038.00	
Extraordinary Aid				782,928.00	782,928.00
On-behalf TPAF Pension (non-budgeted)				5,797,792.00	5,797,792.00
On-behalf TPAF NCGI Premium (non-budgeted)				80,438.00	80,438.00
On-behalf TPAF Post Retirement Medical (non-budgeted)				1,544,197.00	1,544,197.00
On-behalf TPAF - LTDI				2,116.00	2,116.00
TPAF Social Security (Reimbursed - Non-Budgeted)				1,232,313.47	1,232,313.47
Total - State Sources	8,532,069.00		8,532,069.00	17,971,853.47	9,439,784.47
Federal Sources:					
FFCRA/SEMI				389.85	389.85
Medicaid Reimbursement	23,445.00		23,445.00	35,572.66	12,127.66
Total - Federal Sources	23,445.00		23,445.00	35,962.51	12,517.51
TOTAL REVENUES	36,356,672.00		36,356,672.00	46,023,062.19	9,666,390.19
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Preschool/Kindergarten - Salaries of Teachers	419,413.00	(84,543.89)	334,869.11	330,504.11	4,365.00
Grades 1-5 - Salaries of Teachers	3,383,008.00	279,524.75	3,662,532.75	3,646,546.13	15,986.62
Grades 6-8 - Salaries of Teachers	2,271,504.00	(88,399.19)	2,183,104.81	2,131,692.81	51,412.00
Grades 9-12 - Salaries of Teachers	4,246,083.00	(46,582.72)	4,199,500.28	4,123,024.88	76,475.40
Regular Programs - Home Instruction:					
Salaries of Teachers	10,000.00		10,000.00	650.00	9,350.00
Purchased Professional-Educational Services	52,355.12		52,355.12	47,492.90	4,862.22
Regular Programs - Undistributed Instruction					
Purchased Professional-Educational Services	35,244.00	(10,304.00)	24,940.00	24,453.00	487.00
Purchased Technical Services	298,200.86	(128,196.11)	170,004.75	167,017.26	2,987.49
Other Purchased Services (400-500 series)	20,155.00	(1,078.02)	19,076.98	13,306.55	5,770.43
General Supplies	859,172.09	161,448.83	1,020,620.92	518,389.19	502,231.73
Textbooks	41,778.00	(3,307.46)	38,470.54	35,550.83	2,919.71
Other Objects		78.02	78.02	78.02	
TOTAL REGULAR PROGRAMS - INSTRUCTION	11,636,913.07	78,640.21	11,715,553.28	11,038,705.68	676,847.60
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities:					
Salaries of Teachers	286,320.00	(26,300.10)	260,019.90	221,670.92	38,348.98
Other Salaries for Instruction	58,627.00	11,299.78	69,926.78	69,050.44	876.34
General Supplies	1,950.00		1,950.00	1,950.00	
Total Learning and/or Language Disabilities	346,897.00	(15,000.32)	331,896.68	292,671.36	39,225.32
Multiple Disabilities:					
Salaries of Teachers	87,531.00	5,265.20	92,796.20	92,796.20	
Other Salaries for Instruction	66,115.00	(18,066.19)	48,048.81	8,684.02	39,364.79
Purchased Professional-Educational Services	25,000.00	(20,890.00)	4,110.00		4,110.00
Total Multiple Disabilities	178,646.00	(33,690.99)	144,955.01	101,480.22	43,474.79
Resource Room/Resource Center:					
Salaries of Teachers	1,293,957.00	123,853.81	1,417,810.81	1,417,810.81	
Other Salaries for Instruction	666,783.00	28,034.15	694,817.15	694,682.50	134.65
General Supplies	1,577.00		1,577.00	1,552.00	25.00
Total Resource Room/Resource Center	1,962,317.00	151,887.96	2,114,204.96	2,114,045.31	159.65

BOROUGH OF POMPTON LAKES SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance Final to Actual
Autism:					
Salaries of Teachers	677,878.00	69,464.42	747,342.42	732,874.30	14,468.12
Other Salaries for Instruction	21,918.36	(0.08)	21,918.28	18,949.92	2,968.36
Purchased Professional-Educational Services	259,245.00	(68,065.00)	191,180.00	140,271.50	50,908.50
Other Purchased Services (400-500 series)	500.00		500.00	322.06	177.94
General Supplies	21,200.00		21,200.00	20,920.09	279.91
Total Autism	<u>980,741.36</u>	<u>1,399.34</u>	<u>982,140.70</u>	<u>913,337.87</u>	<u>68,802.83</u>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	99,423.00	73.67	99,496.67	99,496.67	
Other Salaries for Instruction	24,755.00	(18,171.94)	6,583.06	5,216.15	1,366.91
General Supplies	2,900.00		2,900.00	2,900.00	
Total Preschool Disabilities - Part-Time	<u>127,078.00</u>	<u>(18,098.27)</u>	<u>108,979.73</u>	<u>107,612.82</u>	<u>1,366.91</u>
Home Instruction:					
Purchased Professional-Educational Services	85,025.00	19,890.00	104,915.00	87,135.92	17,779.08
Total Home Instruction	<u>85,025.00</u>	<u>19,890.00</u>	<u>104,915.00</u>	<u>87,135.92</u>	<u>17,779.08</u>
TOTAL SPECIAL EDUCATION - INSTRUCTION	<u>3,680,704.36</u>	<u>106,387.72</u>	<u>3,787,092.08</u>	<u>3,616,283.50</u>	<u>170,808.58</u>
Basic Skills/Remedial - Instruction					
Salaries of Teachers	277,100.00	(0.20)	277,099.80	234,096.78	43,003.02
Total Basic Skills/Remedial - Instruction	<u>277,100.00</u>	<u>(0.20)</u>	<u>277,099.80</u>	<u>234,096.78</u>	<u>43,003.02</u>
Bilingual Education - Instruction					
Salaries of Teachers	246,065.00	7,839.65	253,904.65	253,904.65	
General Supplies	500.00		500.00		500.00
Total Bilingual Education - Instruction	<u>246,565.00</u>	<u>7,839.65</u>	<u>254,404.65</u>	<u>253,904.65</u>	<u>500.00</u>
School-Sponsored Cocurricular Activities - Instruction					
Salaries	149,726.00	4,346.93	154,072.93	154,072.20	0.73
Supplies and Materials	64,502.00	(3,219.02)	61,282.98	61,282.26	0.72
Total School-Sponsored Cocurricular Activities - Instruction	<u>214,228.00</u>	<u>1,127.91</u>	<u>215,355.91</u>	<u>215,354.46</u>	<u>1.45</u>
School-Sponsored Athletics - Instruction					
Salaries	360,458.00		360,458.00	354,120.85	6,337.15
Purchased Services (300-500 series)	82,439.00	535.00	82,974.00	82,496.70	477.30
Supplies and Materials	85,765.42	5,784.51	91,549.93	88,257.93	3,292.00
Other Objects	37,910.00	(2,729.51)	35,180.49	24,471.24	10,709.25
Total School-Sponsored Athletics - Instruction	<u>566,572.42</u>	<u>3,590.00</u>	<u>570,162.42</u>	<u>549,346.72</u>	<u>20,815.70</u>
TOTAL INSTRUCTION	<u>16,622,082.85</u>	<u>197,585.29</u>	<u>16,819,668.14</u>	<u>15,907,691.79</u>	<u>911,976.35</u>
Undistributed Expenditures - Instruction:					
Tuition to County Vocational School District - Regular	718,679.00		718,679.00	718,400.00	279.00
Tuition to County Vocational School District - Special	17,138.00	(0.50)	17,137.50		17,137.50
Tuition to Private Schools for the Disabled - Within State	1,551,467.00	(228,951.29)	1,322,515.71	1,047,178.98	275,336.73
Tuition - State Facilities	4,500.00		4,500.00	4,500.00	
Total Undistributed Expenditures - Instruction:	<u>2,291,784.00</u>	<u>(228,951.79)</u>	<u>2,062,832.21</u>	<u>1,770,078.98</u>	<u>292,753.23</u>
Undistributed Expend. - Attend. & Social Work					
Salaries	65,200.00	(0.05)	65,199.95	55,253.74	9,946.21
Total Undistributed Expend. - Attend. & Social Work	<u>65,200.00</u>	<u>(0.05)</u>	<u>65,199.95</u>	<u>55,253.74</u>	<u>9,946.21</u>
Undist. Expend. - Health Services					
Salaries	461,684.00	0.60	461,684.60	425,608.91	36,075.69
Purchased Professional and Technical Services	72,000.00		72,000.00	42,953.45	29,046.55
Supplies and Materials	7,771.90	(32.40)	7,739.50	6,768.21	971.29
Total Undistributed Expenditures - Health Services	<u>541,455.90</u>	<u>(31.80)</u>	<u>541,424.10</u>	<u>475,330.57</u>	<u>66,093.53</u>
Undist. Expend. - Speech, OT, PT, & Related Services					
Salaries	339,750.00	(2,447.80)	337,302.20	327,446.83	9,855.37
Purchased Professional - Educational Services	112,700.00	(13,679.16)	99,020.84	95,007.85	4,012.99
Supplies and Materials	1,093.00	121.25	1,214.25	1,214.25	
Total Undist. Expend. - Speech, OT, PT, & Related Services	<u>453,543.00</u>	<u>(16,005.71)</u>	<u>437,537.29</u>	<u>423,668.93</u>	<u>13,868.36</u>
Undist. Expend. - Other Supp. Serv. Students - Extra. Serv.					
Salaries	1,083,895.00	(30,447.93)	1,053,447.07	846,479.36	206,967.71
Purchased Professional - Educational Services	75,270.00	(3,480.00)	71,790.00	56,349.50	15,440.50
Supplies and Materials		3,927.91	3,927.91	3,927.91	
Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.	<u>1,159,165.00</u>	<u>(30,000.02)</u>	<u>1,129,164.98</u>	<u>906,756.77</u>	<u>222,408.21</u>
Undist. Expend. - Guidance					
Salaries of Other Professional Staff	589,381.00	63.94	589,444.94	527,930.55	61,514.39
Salaries of Secretarial and Clerical Assistants	49,882.00	0.10	49,882.10	49,882.08	0.02
Purchased Professional - Educational Services	44,272.00		44,272.00	33,136.86	11,135.14
Other Purchased Services (400-500 series)	4,920.00		4,920.00	4,920.00	
Supplies and Materials	1,266.00	0.57	1,266.57	796.73	469.84
Total Undist. Expend. - Guidance	<u>689,721.00</u>	<u>64.61</u>	<u>689,785.61</u>	<u>616,666.22</u>	<u>73,119.39</u>

BOROUGH OF POMPTON LAKES SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Child Study Teams					
Salaries of Other Professional Staff	506,599.00	2,398.27	508,997.27	503,626.51	5,370.76
Salaries of Secretarial and Clerical Assistants	86,048.00	0.16	86,048.16	86,048.16	
Purchased Professional and Technical Services	18,874.00	13,735.05	32,609.05	30,099.55	2,509.50
Other Purchased Services (400-500 series)	11,435.00	(703.32)	10,731.68	9,225.99	1,505.69
Supplies and Materials	12,455.00		12,455.00	12,639.13	(184.13)
Total Undist. Expend. - Child Study Teams	635,411.00	15,430.16	650,841.16	641,639.34	9,201.82
Undist. Expend. - Improvement of Instructional Services					
Salaries of Supervisor of Instruction	379,867.00		379,867.00	378,630.24	1,236.76
Salaries of Secretarial and Clerical Assistants	61,090.00	49.98	61,139.98	61,139.98	
Purchased Professional - Educational Service	1,000.00		1,000.00		1,000.00
Other Purch Services (400-500)	580.00	318.00	898.00	757.90	140.10
Supplies and Materials	1,500.00	(68.00)	1,432.00		1,432.00
Other Objects	25,100.00	(636.00)	24,464.00	23,372.75	1,091.25
Total Undist. Expend. - Improvement of Inst. Services	469,137.00	(336.02)	468,800.98	463,900.87	4,900.11
Undist. Expend. - Educational Media Serv./Sch. Library					
Salaries	197,450.00	(5,699.31)	191,750.69	185,827.00	5,923.69
Other Purchased Services (400-500 series)	33,614.00	12,512.50	46,126.50	43,286.12	2,840.38
Supplies and Materials	37,621.22	773.03	38,394.25	38,038.32	355.93
Total Undist. Expend. - Educational Media Serv./Sch. Library	268,685.22	7,586.22	276,271.44	267,151.44	9,120.00
Undist. Expend. - Instructional Staff Training Serv.					
Purchased Professional - Educational Services	10,650.00	1,071.00	11,721.00	4,101.50	7,619.50
Total Undist. Expend. - Instructional Staff Training Serv.	10,650.00	1,071.00	11,721.00	4,101.50	7,619.50
Undist. Expend. - Supp. Serv. - General Administration					
Salaries	312,377.00	25.24	312,402.24	312,402.24	
Legal Services	35,606.50	(3,453.59)	32,152.91	29,073.00	3,079.91
Audit Fees	30,189.00	(1,588.70)	28,600.30	28,600.00	0.30
Architectural/Engineering Services	10,000.00	59,724.96	69,724.96	48,148.26	21,576.70
Other Purchased Professional Services	44,310.00	3,230.19	47,540.19	47,473.52	66.67
Communications/Telephone	32,559.00	4,602.76	37,161.76	36,954.94	206.82
BOE Other Purchased Services	2,278.00	(0.22)	2,277.78	2,105.94	171.84
Miscellaneous Purchased Services (400-500 series)	5,000.00	(3,780.00)	1,220.00	1,216.18	3.82
General Supplies	17,566.00	(1,906.61)	15,659.39	15,359.41	299.98
Miscellaneous Expenditures	20,000.00	(6,233.24)	13,766.76	13,676.24	90.52
BOE Membership Dues and Fees	15,500.00	667.80	16,167.80	16,167.80	
Total Undist. Expend. - Supp. Serv. - General Administration	525,385.50	51,288.59	576,674.09	551,177.53	25,496.56
Undist. Expend. - Support Serv. - School Administration					
Salaries of Principals/Assistant Principals/Program Directors	1,268,896.00	35,297.32	1,304,193.32	1,250,242.69	53,950.63
Salaries of Secretarial and Clerical Assistants	251,298.00	2,703.15	254,001.15	253,734.08	267.07
Other Purchased Services (400-500 series)	8,277.00	0.34	8,277.34	8,277.34	
Supplies and Materials	12,275.24	(2,181.47)	10,093.77	7,079.45	3,014.32
Total Undist. Expend. - Support Serv. - School Administration	1,540,746.24	35,819.34	1,576,565.58	1,519,333.56	57,232.02
Undist. Expend. - Central Services					
Salaries	393,664.00	32,718.61	426,382.61	396,382.61	30,000.00
Purchased Technical Services	22,523.00	(6,194.14)	16,328.86	16,328.86	
Miscellaneous Purchased Services (400-500 series)	15,500.00	(2,298.68)	13,201.32	13,126.20	75.12
Supplies and Materials	4,900.00	(0.16)	4,899.84	4,896.96	2.88
Interest on Lease Purchase Agreement	6,222.00	(0.05)	6,221.95	6,221.95	
Miscellaneous Expenditures	12,228.50	(4,141.93)	8,086.57	7,397.92	688.65
Total Undist. Expend. - Central Services	455,037.50	20,083.65	475,121.15	444,354.50	30,766.65
Undist. Expend. - Admin. Information Technology					
Salaries	313,596.00	51,666.39	365,262.39	325,262.39	40,000.00
Other Purchased Services (400-500 series)	500.00	15.00	515.00	515.00	
Total Undist. Expend. - Admin. Information Technology	314,096.00	51,681.39	365,777.39	325,777.39	40,000.00
Undist. Expend. - Required Maint. for School Facilities					
Salaries	187,603.00	0.10	187,603.10	152,820.56	34,782.54
Cleaning, Repair and Maintenance Services	805,078.94	(31,678.15)	773,400.79	656,117.07	117,283.72
General Supplies	84,793.07	(46,370.94)	38,422.13	1,850.00	36,572.13
Total Undist. Expend. - Required Maint. for School Facilities	1,077,475.01	(78,048.99)	999,426.02	810,787.63	188,638.39

BOROUGH OF POMPTON LAKES SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Custodial Services					
Salaries	881,356.00	19,038.46	900,394.46	880,095.16	20,299.30
Salaries of Non-Instructional Aides	93,400.00	(15,174.42)	78,225.58	74,245.36	3,980.22
Lease Purchase Pymts. Energy Savings Program	123,932.00	(0.08)	123,931.92	123,931.92	
Other Purchased Property Services	47,477.13	(9,718.13)	37,759.00	32,758.48	5,000.52
Insurance	411,260.00	36,588.18	447,848.18	447,848.00	0.18
General Supplies	115,518.72	(5,399.45)	110,119.27	106,976.29	3,142.98
Energy (Electricity)	349,059.41	28,026.82	377,086.23	376,588.90	497.33
Other Objects	6,900.00	(2,435.00)	4,465.00	4,448.00	17.00
Total Undist. Expend. - Custodial Services	2,028,903.26	50,926.38	2,079,829.64	2,046,892.11	32,937.53
Undist. Expend. - Care and Upkeep of Grounds					
Cleaning, Repair and Maintenance Services	85,410.00	(25,909.13)	59,500.87	53,054.63	6,446.24
Total Undist. Expend. - Care and Upkeep of Grounds	85,410.00	(25,909.13)	59,500.87	53,054.63	6,446.24
Total Undist. Expend. - Oper. & Maint. Of Plant	3,191,788.27	(53,031.74)	3,138,756.53	2,910,734.37	228,022.16
Undist. Expend. - Student Transportation Services					
Salaries for Pupil Trans (Between Home and School)-Regular	29,400.00	571.44	29,971.44	29,971.44	
Salaries for Pupil Trans (Between Home and School)-Special Ed.	87,931.00	(15,932.81)	71,998.19	61,609.20	10,388.99
Management Fee - ESC & CTSA Trans. Program	32,521.44	15,475.94	47,997.38	46,437.04	1,560.34
Contracted Services (Other than Bet. Home and School)-Vendors	220,495.86	(10,071.00)	210,424.86	184,611.36	25,813.50
Contracted Services (Between Home and School)-Joint Agreements	112,550.00	55,634.00	168,184.00	167,091.00	1,093.00
Contracted Services (Special Ed. Students)-Joint Agreements	1,028,654.03	147,047.00	1,175,701.03	1,173,522.51	2,178.52
Supplies and Materials	23,000.00	(12,481.00)	10,519.00	7,021.82	3,497.18
Total Undist. Expend. - Student Transportation Services	1,534,552.33	180,243.57	1,714,795.90	1,670,264.37	44,531.53
UNALLOCATED BENEFITS					
Social Security Contributions	460,000.00		460,000.00	435,966.99	24,033.01
Other Retirement Contributions - PERS	490,000.00		490,000.00	476,641.69	13,358.31
Other Retirement Contributions - DCRP	50,000.00		50,000.00	29,797.04	20,202.96
Unemployment Compensation	1,950.00		1,950.00		1,950.00
Workmen's Compensation	187,299.00		187,299.00	149,038.00	38,261.00
Health Benefits	4,274,928.00	185,790.35	4,460,718.35	4,280,625.74	180,092.61
Tuition Reimbursement	50,539.96		50,539.96	28,222.91	22,317.05
Other Employee Benefits	178,885.00		178,885.00	51,973.74	126,911.26
TOTAL UNALLOCATED BENEFITS	5,693,601.96	185,790.35	5,879,392.31	5,452,266.11	427,126.20
On-behalf TPAF Pension (non-budgeted)				5,797,792.00	(5,797,792.00)
On-behalf TPAF NCGI Premium (non-budgeted)				80,438.00	(80,438.00)
On-behalf TPAF Post Retirement Medical (non-budgeted)				1,544,197.00	(1,544,197.00)
On-behalf TPAF - LTDI				2,116.00	(2,116.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)				1,232,313.47	(1,232,313.47)
TOTAL ON-BEHALF CONTRIBUTIONS				8,656,856.47	(8,656,856.47)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	5,693,601.96	185,790.35	5,879,392.31	14,109,122.58	(8,229,730.27)
TOTAL UNDISTRIBUTED EXPENDITURES	19,839,959.92	220,701.75	20,060,661.67	27,155,312.66	(7,094,650.99)
TOTAL GENERAL CURRENT EXPENSE	36,462,042.77	418,287.04	36,880,329.81	43,063,004.45	(6,182,674.64)
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
School-Sponsored and Other Instructional Program		40,550.00	40,550.00	15,707.62	24,842.38
Support Services:					
Undistributed Expenditures - Instruction	72,032.78	5,771.05	77,803.83	77,659.65	144.18
Undistributed Expenditures - Operation and Maintenance of Plant	216,687.08	53,418.91	270,105.99	260,581.41	9,524.58
Undistributed Expenditures - Required Maint for School Fac.	68,286.00	(25,542.00)	42,744.00	18,220.90	24,523.10
Undistributed Expenditures - School Buses	126,751.20	6,585.00	133,336.20	126,751.20	6,585.00
Total Equipment	483,757.06	80,782.96	564,540.02	498,920.78	65,619.24
Facilities Acquisition and Construction Services					
Construction Services	2,285,891.04	(705,401.00)	1,580,490.04	359,486.43	1,221,003.61
Architectural/Engineering Services	438,283.98	(265,252.50)	173,031.48	99,014.61	74,016.87
Other Purchased Professional and Technical Services		15,500.00	15,500.00	15,393.00	107.00
Lease Purchase Agreements - Principal	75,818.00	1.00	75,819.00	75,818.32	0.68
Assessment for Debt Service on SDA Funding	445.00		445.00	445.00	
Total Facilities Acquisition and Construction Services	2,800,438.02	(955,152.50)	1,845,285.52	550,157.36	1,295,128.16
TOTAL CAPITAL OUTLAY	3,284,195.08	(874,369.54)	2,409,825.54	1,049,078.14	1,360,747.40

BOROUGH OF POMPTON LAKES SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance Final to Actual
SPECIAL SCHOOLS					
Accred. Even./Adult H.S./Post-Grad.-Instruction					
Salaries of Teachers	108,694.00	810.00	109,504.00	109,403.81	100.19
Other Salaries for Instruction	37,670.00	(6,301.84)	31,368.16	2,106.00	29,262.16
Purchased Professional and Technical Services		500.00	500.00	500.00	
General Supplies		200.00	200.00	160.26	39.74
Total Accred. Even./Adult H.S./Post-Grad.-Instruction	<u>146,364.00</u>	<u>(4,791.84)</u>	<u>141,572.16</u>	<u>112,170.07</u>	<u>29,402.09</u>
Accred. Even./Adult H.S./Post-Grad.-Supp. Service					
Personal Services - Employee Benefits	21,120.00	4,791.84	25,911.84	25,911.84	
Total Accred. Even./Adult H.S./Post-Grad.-Supp. Service	<u>21,120.00</u>	<u>4,791.84</u>	<u>25,911.84</u>	<u>25,911.84</u>	
Total Accred. Even./Adult H.S./Post-Grad.	<u>167,484.00</u>		<u>167,484.00</u>	<u>138,081.91</u>	<u>29,402.09</u>
TOTAL SPECIAL SCHOOLS	<u>167,484.00</u>		<u>167,484.00</u>	<u>138,081.91</u>	<u>29,402.09</u>
TOTAL EXPENDITURES	<u>39,913,721.85</u>	<u>(456,082.50)</u>	<u>39,457,639.35</u>	<u>44,250,164.50</u>	<u>(4,792,525.15)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,557,049.85)</u>	<u>456,082.50</u>	<u>(3,100,967.35)</u>	<u>1,772,897.69</u>	<u>4,873,865.04</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	<u>(3,557,049.85)</u>	<u>456,082.50</u>	<u>(3,100,967.35)</u>	<u>1,772,897.69</u>	<u>4,873,865.04</u>
Fund Balance, July 1	<u>9,367,594.26</u>		<u>9,367,594.26</u>	<u>9,367,594.26</u>	
Fund Balance, June 30	<u>5,810,544.41</u>	<u>456,082.50</u>	<u>6,266,626.91</u>	<u>11,140,491.95</u>	<u>4,873,865.04</u>
Recapitulation of excess (deficiency) of revenues under expenditures					
Adjustment for Prior Year Encumbrances	(888,016.85)		(888,016.85)	(888,016.85)	
Increase in Capital Reserve:					
Principal				2,500,000.00	2,500,000.00
Interest	7,750.00		7,750.00		(7,750.00)
Increase in Maintenance Reserve					
Principal				123,932.00	123,932.00
Interest	3,875.00		3,875.00		(3,875.00)
Withdrawal from Capital Reserve	(1,863,318.00)	1,007,152.50	(856,165.50)	(856,165.50)	
Withdrawal from Maintenance Reserve	(123,932.00)		(123,932.00)	(123,932.00)	
Increase in Unemployment Compensation				4,164.12	4,164.12
Budgeted Fund Balance	<u>(693,408.00)</u>	<u>(551,070.00)</u>	<u>(1,244,478.00)</u>	<u>1,012,915.92</u>	<u>2,257,393.92</u>
	<u>(3,557,049.85)</u>	<u>456,082.50</u>	<u>(3,100,967.35)</u>	<u>1,772,897.69</u>	<u>4,873,865.04</u>
Recapitulation:					
Restricted Fund Balance:					
Capital Reserve				4,535,525.65	
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures				1,126,900.31	
Reserve for Excess Surplus - Current Year				752,645.05	
Unemployment Compensation				406,139.84	
Maintenance Reserve				1,498,829.00	
Assigned Fund Balance:					
Year-End Encumbrances				1,325,657.94	
Unassigned Fund Balance					
				<u>1,494,794.16</u>	
				11,140,491.95	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not recognized on GAAP basis					
				(840,030.00)	
Fund Balance per Governmental Funds (GAAP)					
				<u>10,300,461.95</u>	

audsum line # 90062

BOROUGH OF POMPTON LAKES SCHOOL DISTRICT
Budgetary Comparison Schedule
Special Revenue Fund
For the Year Ended June 30, 2023

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		109,861.43	109,861.43	555,322.75	445,461.32
State Sources		6,653.00	6,653.00	6,653.00	
Federal Sources	826,364.00	3,174,268.00	4,000,632.00	2,341,856.00	(1,658,776.00)
Total Revenues	<u>826,364.00</u>	<u>3,290,782.43</u>	<u>4,117,146.43</u>	<u>2,903,831.75</u>	<u>(1,213,314.68)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	86,809.00	998,795.01	1,085,604.01	482,392.01	603,212.00
Purchased Professional and Technical Services	546.00	6,454.00	7,000.00	2,800.00	4,200.00
Other Purchased Services (400-500 series)	346,462.00	154,973.00	501,435.00	500,630.00	805.00
General Supplies	220,209.00	346,201.11	566,410.11	336,744.33	229,665.78
Total Instruction	<u>654,026.00</u>	<u>1,506,423.12</u>	<u>2,160,449.12</u>	<u>1,322,566.34</u>	<u>837,882.78</u>
Support Services:					
Other Salaries	50,000.00	344,286.00	394,286.00	211,570.00	182,716.00
Personal Services - Employee Benefits		400,995.00	400,995.00	224,078.50	176,916.50
Purchased Professional & Technical Services	15,085.00	210,990.00	226,075.00	110,683.00	115,392.00
Other Purchased Services (400-500 series)	73,824.00	(31,288.00)	42,536.00	25,675.35	16,860.65
Supplies & Materials	33,241.00	119,759.00	153,000.00	35,991.00	117,009.00
Other Objects	188.00	(188.00)			
Student Activities				461,270.68	(461,270.68) note 1
Total Support Services	<u>172,338.00</u>	<u>1,044,554.00</u>	<u>1,216,892.00</u>	<u>1,069,268.53</u>	<u>147,623.47</u>
Facilities Acquisition and Const. Serv.:					
Building		699,742.00	699,742.00	440,805.00	258,937.00
Noninstructional Equipment		9.00	9.00		9.00
Instructional Equipment		40,054.31	40,054.31	40,054.31	
Total Facilities Acquisition and Const. Serv.		<u>739,805.31</u>	<u>739,805.31</u>	<u>480,859.31</u>	<u>258,946.00</u>
Total Expenditures	826,364.00	3,290,782.43	4,117,146.43	2,872,694.18	1,244,452.25
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)				31,137.57	31,137.57
Fund Balance, July 1				201,945.51	
Fund Balance, June 30				233,083.08	
Recapitulation:					
Restricted:					
Student Activities				233,083.08	
Total Fund Balance				<u>233,083.08</u>	

note 1 - Not Required to budget for these funds.

BOROUGH OF POMPTON LAKES SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
Note to Required Supplementary Information - Part II
For the Year Ended June 30, 2023

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

		General Fund	Special Revenue Fund
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue"			
from the budgetary comparison schedule	[C-1]&[C-2]	46,023,062.19	2,903,831.75
Difference - budget to GAAP:			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.			
Add Prior Year Encumbrances			
Less Current Year Encumbrances			
The last State aid payment is recognized as revenue for budgetary purposes in the General Fund, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33).		(840,030.00)	
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.		622,317.00	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	45,805,349.19	2,903,831.75
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]&[C-2]	44,250,164.50	2,872,694.18
Differences - budget to GAAP			
The district budgets for claims and compensated absences only to the extent expected to be paid, rather than on the modified accrual basis. <i>[Not applicable in this example]</i>			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		N/A	
Add Prior Year Encumbrances			
Less Current Year Encumbrances			
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	44,250,164.50	2,872,694.18

**REQUIRED SUPPLEMENTARY
INFORMATION - PART III**

BOROUGH OF POMPTON LAKES SCHOOL DISTRICT
Schedules of Required Supplementary Information
Schedule of District's Proportionate Share of Net Pension Liability - PERS
*Last 10 Fiscal Years**

<u>Fiscal Year Ending June30,</u>	<u>District's Proportion Share of the Net Pension Liability (Asset)</u>	<u>District's Proportion Share of the Net Pension Liability (Asset)</u>	<u>District's Covered Payroll -PERS Employee's</u>	<u>District's Proportion Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a percentage of the total Pension Liability</u>
2015	0.0474013630%	\$ 8,874,832	\$ 3,083,126	287.85%	52.08%
2016	0.0453195983%	10,173,342	2,914,666	349.04%	47.93%
2017	0.0437692764%	12,963,204	2,967,296	436.87%	59.86%
2018	0.0420438103%	9,787,127	2,997,115	326.55%	48.10%
2019	0.0426391700%	8,395,440	2,934,314	286.11%	53.60%
2020	0.0421481144%	7,594,451	2,940,928	258.23%	56.27%
2021	0.0401813772%	6,552,532	2,752,007	238.10%	58.32%
2022	0.0408488918%	4,839,164	2,887,431	167.59%	70.33%
2023	0.0377711230%	5,700,182	3,020,482	188.72%	62.91%

* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

BOROUGH OF POMPTON LAKES SCHOOL DISTRICT
Schedules of Required Supplementary Information
Schedule of District's Contributions - PERS
*Last 10 Fiscal Years**

<u>Fiscal Year Ending June30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's PERS Covered- Employee Payroll</u>	<u>Contributions as a Percentage of PERS Covered- Employee Payroll</u>
2015	\$ 390,770	\$ 390,770	\$ -	\$3,083,126	12.67%
2016	389,627	389,627	-	2,914,666	13.37%
2017	388,840	388,840	-	2,967,296	13.10%
2018	389,491	389,491	-	2,997,115	13.00%
2019	424,122	424,122	-	2,934,314	14.45%
2020	409,977	409,977	-	2,940,928	13.94%
2021	439,564	439,564	-	2,752,007	15.97%
2022	478,388	478,388	-	2,887,431	16.57%
2023	476,312	476,312	-	3,020,482	15.77%

* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

BOROUGH OF POMPTON LAKES SCHOOL DISTRICT
Schedules of Required Supplementary Information
Schedule of District's Proportionate Share of Net Pension Liability - TPAF
*Last 10 Fiscal Years**

<u>Fiscal Year Ending June30,</u>	<u>District's Proportion Share of the Net Pension Liability (Asset)</u>	<u>District's Proportion Share of the Net Pension Liability (Asset)</u>	<u>State's Proportionate Share of the Net Pension Liability Associated with the District (Asset)</u>	<u>District's Covered Payroll -TPAF Employee's</u>	<u>District's Proportion Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a percentage of the total Pension Liability</u>
2015	0.1358058855%	\$ -	\$ 72,583,826	\$ 14,731,063	0.00%	33.64%
2016	0.1360512771%	\$ -	85,990,217	14,639,950	0.00%	28.71%
2017	0.1430677467%	\$ -	112,546,199	14,966,072	0.00%	22.33%
2018	0.1432543176%	\$ -	96,587,226	15,629,042	0.00%	25.41%
2019	0.1417314924%	\$ -	90,166,531	15,187,941	0.00%	26.49%
2020	0.1433615560%	\$ -	87,982,340	15,592,579	0.00%	26.95%
2021	0.1448855658%	\$ -	95,405,402	15,841,470	0.00%	24.60%
2022	0.1379447634%	\$ -	66,317,205	16,384,810	0.00%	35.52%
2023	0.1375770049%	\$ -	70,982,052	16,986,487	0.00%	32.29%

* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

BOROUGH OF POMPTON LAKES SCHOOL DISTRICT
Note to Required Schedules of Supplementary Information - Part III
For the fiscal year ended June 30, 2023

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

None

TEACHERS PENSION AND ANNUITY FUND (TPAF)

Change in benefit terms

None

Change in assumptions

None

BOROUGH OF POMPTON LAKES SCHOOL DISTRICT
Schedule of Required Supplementary Information
Schedule of Changes in the District's Proportionate Share of the State OPEB Liability
*Last 10 Fiscal Years**

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service Costs	\$ 3,196,467	\$ 3,616,415	\$ 2,014,908	\$ 1,923,185	\$ 2,119,396	\$ 2,557,290
Interest on Total OPEB Liability	1,578,907	1,790,474	1,702,679	2,074,252	2,214,551	1,905,824
Changes in Terms of Benefits		(73,464)				
Difference between Actual & Expected Experiences	3,279,037	(11,990,665)	13,218,653	(8,389,389)	(5,009,067)	
Changes in Assumptions	(15,982,576)	68,094	14,060,617	704,907	(6,010,006)	(7,688,630)
Gross Benefit Payments	(1,563,954.00)	(1,410,392.00)	(1,340,065.00)	(1,451,269.00)	(1,400,422.00)	(1,399,216)
Contribution from the Member	50,172	45,774	40,617	43,020	48,401	51,523
Net Changes in total Share of OPEB Liability	(9,441,947)	(7,953,764)	29,697,409	(5,095,294)	(8,037,147)	(4,573,209)
Total OPEB Liability - Beginning	<u>69,020,851</u>	<u>76,974,615</u>	<u>47,277,206</u>	<u>52,372,500</u>	<u>60,409,647</u>	<u>64,982,856</u>
Total OPEB Liability - Ending	<u>\$ 59,578,904</u>	<u>\$ 69,020,851</u>	<u>\$ 76,974,615</u>	<u>\$ 47,277,206</u>	<u>\$ 52,372,500</u>	<u>\$ 60,409,647</u>
District's Proportionate Share of OPEB Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of OPEB Liability	<u>59,578,904</u>	<u>69,020,851</u>	<u>76,974,615</u>	<u>47,277,206</u>	<u>52,372,500</u>	<u>60,409,647</u>
Total OPEB Liability - Ending	<u>\$ 59,578,904</u>	<u>\$ 69,020,851</u>	<u>\$ 76,974,615</u>	<u>\$ 47,277,206</u>	<u>\$ 52,372,500</u>	<u>\$ 60,409,647</u>
District's Covered Employee Payroll	\$ 20,006,969	\$ 19,272,241	\$ 18,593,477	\$ 18,533,507	\$ 18,122,255	\$ 18,626,157
Districts' Proportionate Share of the Total OPEB Liability as a Percentage of its Covered Payroll	0%	0%	0%	0%	0%	0%

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Change in benefit terms Decrease in liability due to employers adopting provisions of Ch. 44.

Change in assumptions Assumptions used in calculating the OPEB liability are presented in Note 8.

* GASB requires that ten years of information be presented. However, since fiscal year 2018 was the first year of GASB 75 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

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APPENDIX C

Form of Bond Counsel's Approving Legal Opinion

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90 Woodbridge Center Drive
Suite 900 Box 10
Woodbridge, NJ 07095-0958
732.636.8000

_____, 2024

The Board of Education of the
Borough of Pompton Lakes
Pompton Lakes, New Jersey

Ladies and Gentlemen:

We have served as bond counsel in connection with the authorization, sale and issuance of \$5,713,000 aggregate principal amount of School Bonds, Series 2024 (the “Bonds”) of The Board of Education of the Borough of Pompton Lakes in the County of Passaic, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed by the Board).

The Bonds are issued pursuant to: (i) Title 18A, Chapter 24 of the New Jersey Statutes, as amended and supplemented (the “Education Law”); (ii) a proposal adopted by the Board on September 12, 2023 (the “Proposal”) and approved by the affirmative vote of a majority of the legal voters present and voting at a special School District election held on December 12, 2023 and (iii) a resolution duly adopted by the Board on May 7, 2024 (the “Resolution”).

The Bonds are issued in fully registered book-entry only form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, Brooklyn, New York (“DTC”), an automated depository for securities and clearing house for securities transactions. Purchases of the Bonds will be made in book-entry only form in principal amounts of \$1,000 each or any integral multiple thereof with a minimum purchase of \$5,000 required, through book entries made on the books and records of DTC and its participants. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board directly to Cede & Co., as nominee for DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners of the Bonds is the responsibility of DTC participants.

The Bonds are dated their date of delivery and shall bear interest from such date, which interest shall be payable commencing July 15, 2025 and semi-annually thereafter on the fifteenth day of January and July in each year until maturity or prior redemption, and shall mature on July 15 of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2025	\$203,000		2035	\$285,000	
2026	200,000		2036	295,000	
2027	205,000		2037	305,000	
2028	215,000		2038	320,000	
2029	225,000		2039	335,000	
2030	235,000		2040	345,000	
2031	240,000		2041	360,000	
2032	250,000		2042	375,000	
2033	260,000		2043	390,000	
2034	270,000		2044	400,000	

The Bonds of this issue are subject to optional redemption prior to their stated maturities.

We have examined such matters of law, certified copies of the proceedings, including the bond referendum proceedings, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We are of the opinion that: (i) such proceedings and proofs show lawful authority for the sale and issuance of the Bonds pursuant to the Education Law, the Proposal and the Resolution; (ii) the Bonds are valid and legally binding obligations of the Board; and (iii) all the taxable real property within the School District is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for the interest thereon to be and remain excludable from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of the issuance of the Bonds. The Board has covenanted to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

In our opinion, under existing law, and assuming continuing compliance by the Board with the aforementioned covenant, under existing statutes, regulations, rulings and court

decisions, interest on the Bonds is not includable for federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. The Bonds are not “specified private activity bonds” within the meaning of Section 57 of the Code and, therefore, the interest on the Bonds will not be treated as a preference item for purposes of computing the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

We are further of the opinion that the Bonds constitute “qualified tax-exempt obligations” within the meaning of Section 265(b)(3)(B) of the Code and, therefore, will be treated as if it was acquired on August 7, 1986 for purposes of the limitations on deductibility by financial institutions of interest expense allocable to tax-exempt interest.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

[The Bonds maturing on July 15 in the years 20__ through 20__, inclusive (the “[Premium] Bonds”), have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the [Premium] Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser’s basis in a [Premium] Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a [Premium] Bond in excess of the owner’s adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such [Premium] Bonds and not as interest.]

[We are also of the opinion that the difference between the stated principal amount of the Bonds maturing on July 15 in the years 20__ through 20__, inclusive (the “[Discount] Bonds”) and their respective initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the [Discount] Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the [Discount] Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each [Discount] Bond and the basis of each [Discount] Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount.]

Except as stated in the preceding paragraphs, we express no opinion as to any federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined one of the executed Bonds and, in our opinion, its form and execution are regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

APPENDIX D

Form of Continuing Disclosure Certificate

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated as of _____, 2024 (the “Disclosure Certificate”) is executed and delivered by The Board of Education of the Borough of Pompton Lakes in the County of Passaic, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed by the Board) in connection with the issuance of its \$5,713,000 aggregate principal amount of School Bonds, Series 2024 dated their date of delivery (the “Bonds”). The Bonds are being issued by virtue of a proposal adopted by the Board on September 12, 2023 and approved by the affirmative vote of a majority of the legal voters present and voting at a special School District election held on December 12, 2023 and pursuant to a resolution entitled, “RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF \$5,713,000 AGGREGATE PRINCIPAL AMOUNT OF SCHOOL BONDS, SERIES 2024 OF THE BOARD OF EDUCATION OF THE BOROUGH OF POMPTON LAKES IN THE COUNTY OF PASSAIC, NEW JERSEY, PROVIDING FOR THEIR SALE AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH”, duly adopted by the Board on May 7, 2024 (the “Bond Resolution”). The Board covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Board for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter(s) in complying with the Rule (as defined below). The Board acknowledges it is an “Obligated Person” under the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Resolution which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” shall mean any Annual Report provided by the Board pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Beneficial Owner*” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds, as applicable (including persons holding Bonds, as applicable through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds, as applicable, for federal income tax purposes.

“*Continuing Disclosure Information*” shall mean, collectively, (i) each Annual Report, (ii) any notice required to be filed by the Board with the EMMA (as defined herein) pursuant to Section 3 of this Disclosure Agreement, and (iii) any notice of a Listed Event required to be filed by the Board with EMMA pursuant to Section 5 of this Disclosure Agreement.

“Disclosure Representative” shall mean the Business Administrator/Board Secretary of the Board or his/her designee, or such other person as the Board shall designate in writing from time to time for the purposes of this Disclosure Certificate.

“Dissemination Agent” shall mean, initially, the Board or any Dissemination Agent subsequently designated in writing by the Board which has filed with the Board a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system, a website created by the MSRB (as defined herein) and approved by the SEC (as defined herein) to provide a central location where investors can obtain municipal bond information including disclosure documents. The Board or the Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to www.emma.msrb.org.

“Financial Obligation” shall mean a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) listed hereinabove. The term *“Financial Obligation”* shall not include municipal securities as to which a final official statement has been provided to the MSRB (as defined below) consistent with the Rule (as defined below).

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“SEC Release No. 34-59062” shall mean Release No. 34-59062 of the SEC dated December 5, 2008.

“State” shall mean the State of New Jersey.

“Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

SECTION 3. Provision of Annual Reports. (a) The Board shall provide or cause to be provided to the Dissemination Agent not later than December 31 of each year, commencing December 31, 2024 (for the fiscal year ending June 30, 2024), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Board

may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the Board are not available by December 31, the Board shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the Board, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the Board.

(b) Not later than January 31 of each year (commencing January 31, 2025) the Dissemination Agent shall provide to EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

(c) If the Board does not provide or is unable to provide an Annual Report by the applicable date required in subsection (a) above, such that the Dissemination Agent cannot file the Annual Report with EMMA in accordance with subsection (b) above, the Dissemination Agent shall, in a timely manner, send a notice of such event to EMMA in substantially the form attached hereto as Exhibit A, with copies to the Board (if the Dissemination Agent is not the Board).

(d) Each year the Dissemination Agent shall file a report with the Board (if the Dissemination Agent is not the Board), certifying that the Annual Report has been provided to EMMA pursuant to this Disclosure Certificate, stating the date it was provided.

(e) If the fiscal year of the Board changes, the Board shall give written notice of such change to the Dissemination Agent and the Dissemination Agent shall, within five (5) business days after the receipt thereof from the Board, forward a notice of such change to EMMA in the manner provided in Section 5(e) hereof.

SECTION 4. Content of Annual Reports. The Board's Annual Report shall contain or incorporate by reference the following:

(1) The audited financial statements of the Board (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available).

The audited financial statements are to be prepared in accordance with generally accepted accounting principles (GAAP).

(2) The general financial information and operating data of the Board consistent with the information set forth in the Official Statement dated June 18, 2024, prepared in connection with the sale of the Bonds (the "Official Statement") in Appendix A under the sections relating to (1) Board indebtedness; (2) property valuation information; and (3) tax rate, levy and collection data.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Board is an "Obligated Person" (as defined by the Rule), which have been filed with EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final

official statement, it must be available from the MSRB. The Board shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events. (a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances of the Bonds;
- (10) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) Ratings changes rating to the Bonds;
- (12) Bankruptcy, insolvency, receivership or similar event of the Board;
- (13) The consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (14) Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;
- (15) Incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect Bondholders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

The Board shall, in a timely manner not in excess of ten (10) business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB in accordance with the provisions of Section 5 of this Disclosure Certificate. In determining the materiality of any of the Listed Events specified in this subsection (a) of this section 5, the Board may, but shall not be required to, rely conclusively on an opinion of counsel.

(b) Whenever the Board has or obtains knowledge of the occurrence of any of the Listed Events, the Board shall, as soon as possible, determine if such event would constitute information material to the Beneficial Owners of the Bonds.

(c) If the Board determines that the occurrence of a Listed Event would be material to the Beneficial Owners of the Bonds, the Board shall promptly notify the Dissemination Agent in writing (if the Board is not the Dissemination Agent) and the Board shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

(d) If the Board determines that the occurrence of a Listed Event would not be material to the Beneficial Owners of the Bonds, the Board shall promptly notify the Dissemination Agent in writing (if the Dissemination Agent is not the Board) and the Dissemination Agent (if the Dissemination Agent is not the Board) shall be instructed by the Board not to report the occurrence.

(e) If the Dissemination Agent has been instructed in writing by the Board to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA, with a copy to the Board (if the Dissemination Agent is not the Board). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owner of the affected Bonds pursuant to the Bond Resolution.

SECTION 6. Termination of Reporting Obligation. The Board's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the Board is no longer an "Obligated Person" (as defined in the Rule). The Board shall file a notice of the termination of its reporting

obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with EMMA in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Dissemination Agent; Compensation. The Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Board. The Board shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Board may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in federal securities laws acceptable to the Board to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the Board or "Obligated Person," or by approving vote of the Beneficial Owners of the Bonds, as applicable pursuant to the terms of the Bond Resolution at the time of the amendment. The Board shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Board shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in the same manner as a Listed Event under Section 5 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of

communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Board chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Board shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Board to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Board to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Board to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the Board agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the Board) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the Board further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the Board under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Board, the Dissemination Agent, the Underwriters, and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

SECTION 13. Notices. All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the Board of Education:

The Board of Education of the
Borough of Pompton Lakes
237 Van Avenue
Pompton Lakes, New Jersey 07442
Attention: Business Administrator/Board Secretary

(b) Copies of all notices to the Dissemination Agent from time to time with respect to the Bonds, initially:

The Board of Education of the
Borough of Pompton Lakes
237 Van Avenue
Pompton Lakes, New Jersey 07442
Attention: Business Administrator/Board Secretary

Each party shall give notice from time to time to the other parties, in the manner specified herein, of any change of the identity or address of anyone listed herein.

SECTION 14. Counterparts. This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the Board and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

SECTION 15. Severability. If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the Board and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

SECTION 16. Governing Law. This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State of New Jersey as applicable.

**THE BOARD OF EDUCATION OF THE
BOROUGH OF POMPTON LAKES IN THE
COUNTY OF PASSAIC, NEW JERSEY**

By: _____
**ANGELA SPASEVSKI,
Business Administrator/
Board Secretary**

EXHIBIT A

**NOTICE TO EMMA OF FAILURE
TO FILE ANNUAL REPORT**

Name of Issuer: The Board of Education of the
Borough of Pompton Lakes
in the County of Passaic, New Jersey

Name of Issue: \$5,713,000 School Bonds, Series 2024
Dated: _____, 2024
(CUSIP Number: 732283____)

Date of Issuance: _____, 2024

NOTICE IS HEREBY GIVEN that the above designated Board has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Certificate for the Bonds dated as of _____, 2024 executed by the Board.

DATED: _____

DISSEMINATION AGENT
(on behalf of the Board)

cc: The Board

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